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**Master's Degree in International Development Policy**

**Politicization of Aid in Palestine:  
Effectiveness of Official Developmental Assistance  
to Palestinian National Authority**

February, 2014

Program in International Development Policy

Graduate School of International Studies

Seoul National University

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**Politicization of Aid in Palestine:  
Effectiveness of Official Developmental Assistance  
to Palestinian National Authority**

A thesis presented

by

**Anas I.M. Iqtait**

A dissertation submitted in partial fulfillment  
of the requirements for the degree of Master  
of International Development Policy

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## **ABSTRACT**

This paper assesses the effectiveness of the influx of Official Development Assistance to the Palestinian people through the Palestinian National Authority, since its inception in 1994. The evaluation process encompasses the reality of the highly politicized nature of the occupied Palestinian territories. The research findings highlight the extremely politicized nature of the Palestinian context. Moreover, it reaffirms the uniqueness of the Palestinian situation and the role of the Israeli occupation in the effectiveness of Official Development Assistance.

The effectiveness of the Paris Declaration indicators vary based on the political system existing at the time. For instance, the effectiveness of ODA increased during the Fayyadism era, when compared to the previous political systems. This is due in large to the better coordination environment between the donor community and the PNA. It is imperative; however, to take into consideration that the PNA political agenda was most aligned with the donor community's during this era. Moreover, the Gaza Strip was completely marginalized and lacked any viable funding channels for development due to non-aligning political positions.

It's important to point out that the ODA flow to the Palestinians has been highly politicized depending on the existing political environment at that time and, predominantly, the security situation. The dependency of the PNA on ODA flows amid this violently transformative political environment has further crippled the possibility of a politically and economically sovereign Palestinian state. In short the analysis of the ODA flows to the PNA since its inception in 1993 indicates that ODA has been highly

political and in the service of the foreign political agendas with slight reflection to the local population's priorities and aspirations.

**Key words:** Official Development Assistance, Politicization of Aid, occupied Palestinian territories, Paris Declaration, Aid effectiveness.

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## **ABBREVIATIONS AND ACRONYMS**

AAA: Accra Agenda for Action  
AHLC: Ad Hoc Liaison Committee  
AMAN: Coalition for the Accountability and Integrity  
B'Tselem: Israeli Information Center for Human Rights in the Occupied Territories  
DAC: Development Assistance Committee  
EU: European Union  
EC: European Commission  
GDP: Gross Domestic Product  
GS: Gaza Strip  
GNI: Gross National Income  
JICA: Japan International Cooperation Agency  
LDF: Local Development Forum  
LACS: Local Aid Coordination Secretariat  
MOPAD: Ministry of Planning and Administrative Development  
PCBS: Palestinian Central Bureau of Statistics  
PD: Paris Declaration  
PNA: Palestinian National Authority  
PRDP: Palestinian Reform and Development Plan  
PDP: Palestinian National Development Plan  
PNGO: Palestinian Non Governmental Organization  
ODA: Official Development Assistance  
OECD: Organization for Economic Co-operation and Development  
oPt: occupied Palestinian territory  
UN: United Nations  
UNRWA: United Nations Relief and Works Program  
UNOCHA: United Nations Office for the Coordination of Humanitarian Affairs  
UNSCO: United Nations Special Coordinator  
USAID: United States Agency for International Development  
TWB: West Bank  
WB: World Bank

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## INTRODUCTION

The Oslo Accords marked a significant shift in diplomacy in the Middle East. The Arab-Israeli conflict had raged for decades prior to 1994, and it was concluded by the Palestinian Intifada that broke out in 1987. The Palestinians had aspired for an independent state that would put an end to their unfortunate involvement in European politics during the first and second World Wars (Arnon, 1997).

In this regard, the world cheered on the peace process and committed to a serious of donations that could foster the possibility of a viable and independent Palestinian State in the region. In this context, the flow of aid was relatively large when compared to most other regions of the world. The Palestinians have received more than \$24 Billion of ODA since the establishment of the PNA in 1993.

These massive disbursements have created a wide mechanism of aid delivery and maintenance. In 1994, the newly formed PNA had faced its first critical financial crisis; at the time, the donor community had envisioned a long term developmental assistance donor funding that could result in an independent Palestinian economy. However, at the time of the crisis, the donor community had to disburse its first short term project type assistance that was directly channelled through the PNA's budget and independent aid disbursement mechanisms.

Amidst the realities of the new political situation in the oPt, the importance of development cooperation mounted to unprecedented heights. The forth convention on

aid effectiveness asserts that there is no other political entity on earth that is as dependent on international donations as the PNA. The truth of the matter is that ODA constitutes the entire existence of the PNA. It's essential to expand on the effectiveness of this ODA's disbursements and determine their potential.

According to the International Court of Justice as well as the Supreme Court of Israel, the Palestinian territories captured in the Arab-Israeli war of 1967 are occupied territories. The International Court of Justice's advisory opinion in 2004 states: "The territories situated between the Green Line and the former eastern boundaries of Palestine under the Mandate were occupied by Israel in 1967 during the armed conflict between Israel and Jordan. Under customary international law, these were therefore occupied territories in which Israel had the status of occupying Power. Subsequent events in these territories, as described in paragraphs 75 to 77 above, have done nothing to alter this situation. All these territories (including East Jerusalem) remain occupied territories and Israel has continued to have the status of occupying Power" (Hirsch, 2005).

In this context, the Palestinian State and its actual existence remain ambiguously dominated by the Israeli military's occupation. The international aid disbursements have poured in to the 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 Association, 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).

## LITRATURE REVIEW

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). In this context; the politicization of aid to the Palestinians was shaped since the inception of the Palestinian-Israeli negotiations journey. Consequently, existing literature on aid effectiveness in Palestine and the effects of aid politicization are examined in this section.

### **2.1 Aid effectiveness**

Most of the literature existing indicates that the three major goals of international aid of supporting the two-state solution's agenda, achieving economic and social development for Palestinians, and promoting institution building for a viable state were in reality hardly accomplished by the large influx of international aid. After reviewing a wide range of literature, aid ineffectiveness in the Palestinian context can be divided into five segments.

#### **2.1.1. Political Effectiveness**

Due to the highly political nature of the aid handed over to the Palestinian National Authority, much of the existing literature examined aid's political consequences. Aid is being utilized as an alternative to the political process in Palestine. The policies of the donor community are typically determined by the interaction among them and by the

dynamics with Israel as well. The Palestinian involvement in this process rarely matters. Moreover, the aid policies of the donor community focus on the short term approach rather than a long term developmental approach. There is an increasing number of concerns about the possibility of involvement of the international donor community's policies towards the political status that have contributed in the violation of the IHL. Moreover, the Palestinian political division has been deepened, largely due to the exclusionary nature of the donor community's policies towards empowering one Palestinian faction over the rest of the Palestinian political organizations (Le More 2008).

### **2.1.2 Macroeconomic Effectiveness**

Tartir argues that the Palestinian economy's impressive growth in 2008, 2009, and 2010 has been a "jobless growth" and largely is accelerated by international financial support. Moreover, the aid is even blamed for diminishing the production capabilities of the Palestinian economy and discriminatory against the poor. The socioeconomic indicators further reveal the de-development status of the international aid effect on the macroeconomic conditions. Tartir (2011) describes the macroeconomic situation as follows: "Using the consumption-based definition of poverty, 26% of the Palestinians lived in poverty in 2009 and 2010. However, using the income-based definition of poverty, 50% of the Palestinians lived in poverty in 2009 and 2010 [...] 50% of Palestinian households were impacted by food insecurity (33% food-insecure, 17% vulnerable to food insecurity). Unemployment has remained at around 25%.

Unemployment rate for Palestinian youth under 30 is particularly alarming standing at 43%.”

### **2.1.3. Developmental Effectiveness**

Further expanding on the literature determining macroeconomic effectiveness argued by many scholars; the effects of international aid on development have also been arguable in nature. Many argue that aid has been incapable of achieving any significant development due to ignoring the underlying factors of Israeli closure policies, military occupations and the existence of settlements (Turner, 2009). Also; some other scholars emphasize that under the existing development paradigm of the international community; sustainable development is hard to achieve (Wake, 2008). Some scholars argue that international aid in the Palestinian context must even stretch further to encompass basic human rights principles for the Palestinians as well as a domestically built national priority oriented developmental plan. Otherwise; international aid will only make life more tolerable under the existing occupation and will never foster sustainable development (Tartir, 2011). Under the existing aid modalities; moreover, the disguising of the harsh realities will remain the status quo, and under this modality aid will be wasted from a developmental perspective (Abdelnour, 2011).

### **2.1.4. Aid Process Effectiveness**

I intend to examine the aid effectiveness through the Paris Declaration’s point of view. So, it’s important to review similar literature and possibly point out possible

shortcomings. This will be discussed in the next chapters. In 2012, Ibrahim & Beaudet shallowly examined international aid based on the Paris Declaration principles. I can summarize their findings as: ownership is nonexistent, alignment and mutuality are highly determined by donors, harmonization is barely implemented, and managing by results reflects the interests of the donor nations rather than a Palestinian national developmental plan (Ibrahim & Beaudet, 2012). However there are some shortcomings and issues ignored by this study that will be addressed in this research.

#### **2.1.5 Contextual Effectiveness**

Many scholars have also argued that there is a dilemma of “aid-under-occupation” in the Palestinian context. This reflects the wide range of contextual ineffectiveness in the aid disbursement and planning process (Tartir, 2011). The occupied Palestinian territories are of a highly sensitive topic. This is due to the fact that the Palestinian National Authority, which is the sole recipient of the mass amounts of aid, has very limited control over its own territories (Taghdisi-Rad, 2010). Furthermore, Ibrahim & Beaudet (2012) argue that occupation continues to determine all processes in the oPt, including development cooperation. However, donors choose to ignore this fact, thus contributing in the creation of a dependent, non-sustainable entity with minimal control over its own resources and developmental rights (Ibrahim & Beaudet, 2012).

## **2.2. Politicization of Aid**

Literature review appoints that there are many unintended consequences of aid disbursements in conflict and post conflict contexts. The potential negative impacts of aid can be summarized into a three pioneered framework; the emergence of aid over-reliance, aid exploitation by stakeholders, and reiteration of present political structures (Grellmann, 2011).

Firstly, it is argued that aid weakens the capabilities of the local population's survival mechanisms in utilizing local resources (Slim, 1997). Replacing all the local mechanisms such as food distribution and providing health services can dilute the local political structure's capability for utilizing domestic resources. Consequently, this may cause these resources to be used to alternative political gains by the local factions (Anderson, 1999).

Secondly, in conflict and post conflict contexts aid resources represent political and economic dominance. Hence, conflicting political parties usually attempt to gain control over these resources. In some contexts, aid is stolen and taken over by the conflicting parties which fuels existing conflicts (Anderson, 1999; Kevlihan, 2005; Shearer, 2000; Slim, 1997). Moreover, aid disbursements lead to a supply and demand mismatch within the economic structure of the recipient country leading to market failures (Shearer, 2000). Also, recipients can sometimes extremely exploit aid by utilizing the donations for military training for instance (Lischer, 2003).

Thirdly, the literature also emphasizes that aid can empower the political factions that already exist in the recipient countries. Operating under an existing political situation forces the donor community to comply with the used principles and regulations undertaken. In this context, aid usually has to operate under the undertaken structure compiling legitimacy over the recipient political regime (Anderson, 1999; Albaladejo, 1993). Furthermore, the donor community often channels aid toward specific political factions which in return fuels conflict and raises competition (Anderson, 1999).

The summary of this literature highlights the three main characteristics that compose the politicization process of aid in post conflict areas. The exact mechanism of aid politicization is heavily dependent on the local context. In Palestine, aid politicization could play a major role in the aid effectiveness process.

### **2.3. Significance of the Research**

The review of the limited literature available on the effectiveness of ODA in the oPt as well as the aid politicization influence reveals two major shortcomings. While there is unanimous agreement upon the ineffectiveness of international aid for the purposes that Le More (2008) proposed--of supporting the peace process leading to a two-state solution, fostering economic and social development, and promoting institution-building--most literature falls into the trap of stating the obvious of blaming the occupation policies for the underperformance of the vast sums of aid. While it's

important to state the proven devastating impact of the occupation policies on the development of the oPt, existing literature takes the easy route of solely blaming the occupation and donors aligning positions. There isn't currently any research that takes the occupation as an existing reality, as it has been for 45 years, and explores beyond the structural modalities of aid.

Moreover, International aid inflows for the PNA started shortly after the signing of the Oslo peace accords at Washington in 1993. Aid, however didn't follow as expected as the political situation was subjected to turmoil.

Hence, past literature has evaluated aid from a static point of view by ignoring the dynamics of the political volatility in the oPt. This major shortcoming can influence the outcome of the aid effectiveness analysis. In conjunction, most scholars have evaluated aid during the last political period.

Scholars haven't provided a comprehensive evaluation of ODA in the oPt in each of the four political periods henceforth connecting the successful and failing indicators of effectiveness. This study will surpass the shortcomings in being the first comprehensive ODA evaluation study that will not only evaluate ODA but will also explore possible reasons of how and why this ODA is failing beyond the existence of a brutal occupation regime and lack of sovereignty.

## **2.4. Research Questions**

Shortcomings of existing ODA effectiveness research leaves room for possible hypothesis and questions that must be explored. If aid hasn't been effectively and comprehensively evaluated, then there is void in the scholarly world for this analysis that could prove pivotal for future ODA policies or other similar regions. The first area of curiosity can lead us to wonder how the different political atmospheres affected the flow and behaviour of ODA. Moreover, if I find similar conclusions of wide ODA ineffectiveness then I can legitimately wonder why it has been ineffective in certain areas.

Some of the research questions I will pursue for this thesis include: Has Official Developmental Assistance been effective in the occupied Palestinian territories since 1993? How has different political periods affected ODA effectiveness? If ODA has been ineffective: Why has it been ineffective? What are the main determinants hindering its effectiveness?

## **RESEARCH METHODOLOGY**

### **3.1. Data Collection**

This research will attempt to answer the proposed questions through a qualitative analytical framework. Data will be used to illustrate the research findings and analysis. Many data sources will be used. Multiple United Nations and World Bank reports have been evaluated and will be used in the introduction and aid modalities sectors. As per the research section, these studies will help to visualize the impact of certain international projects and programs on the Palestinian community. Moreover, an OECD survey included the Palestinian National Authority in evaluating the aid effectiveness through the Paris Declaration Principles has been utilized for the analysis section. The timeline of this evaluation study will cover the entire existence of the Palestinian National Authority. This covers from 1993-2012.

### **3.2 Theoretical Framework**

The research will attempt to evaluate the effectiveness of the influx of Official Developmental Assistance to the Palestinian National Authority since its inception in 1994. The evaluation of the aid effectiveness practices can be done at multi-levels. The study is not to evaluate the impact of ODA on socioeconomic indicators; however, it will evaluate the compliance of the ODA flow with the internationally recognized principles of aid effectiveness.

One of the most important aspects of aid effectiveness from the recipient country's perspective is the compliance with the principle of ownership. The domestic national leadership of international aid is an essential element towards the process of aid effectiveness. This was emphasized during the Monterrey Consensus on Financing for Development in 2002 where the principles of good governance within this theoretical framework are necessary for achieving aid effectiveness.

Moreover, the Rome Declaration on Harmonization was endorsed in 2003 to further enhance the role of ODA effectiveness in the international aid arena. The declaration emphasized the role of harmonization in eradicating poverty, sustainable economic growth, and sustainable development and reiterated the role of ODA effectiveness practices in achieving these goals. The idea of ODA harmonization between the donor community and the recipient countries encompasses the delivery systems of ODA to harmonize the management policies as well as the procedures of the donor community with that of the recipient country.

In this context, the Rome Declaration set a number of goals that the donor and recipient communities agreed to commit upon (OECD, 2003):

- Ensuring that development assistance is delivered in accordance with partner country priorities.
- Reviewing and identifying ways to amend individual institutions' and countries' policies, procedures, and practices to facilitate harmonization. In

addition, reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonize documentation.

- Implementing progressively the good practice standards or principles in development assistance delivery and management, taking into account specific country circumstances. Disseminate the good practices to our managers and staff at headquarters and in country offices and to other in-country development partners.
- Intensifying donor efforts to work through delegated cooperation at the country level and increasing the flexibility of country-based staff to manage country programmes and projects more effectively and efficiently.
- Developing, at all levels, incentives that foster management and staff recognition of the benefits of harmonization in the interest of increased aid effectiveness.
- Providing support for country analytic work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results.
- Expanding or mainstreaming country-led efforts to streamline donor procedures and practices, including enhancing demand-driven technical cooperation.
- Providing budget, sector, or balance of payments support where it is consistent with the mandate of the donor, and when appropriate policy and fiduciary arrangements are in place.

- Promoting harmonised approaches in global and regional programs.

The topic of aid effectiveness was further discussed in the Paris Declaration on aid effectiveness in 2005. Prior to the Paris Declaration; the agreed upon commitments were unmonitorable actions that did not adapt a monitoring and evaluation system for tracking the effectiveness of ODA. The international donor community and the developing world agreed to form measurable indicators for the effectiveness of ODA delivery systems and management. These serious steps were taken towards the commitment of the developed and developing world for utilizing aid in a more effective approach for achieving the Millennium Development Goals.

Consequently, the five principles for aid-effectiveness were declared with a total of 12 indicators, which can be summoned as follows (OECD, 2011b):

**Table 1: Paris Declaration Indicators**

1	Operational Development Strategies % of countries having a national development strategy rated "A" or "B" on a five-point scale <sup>a</sup>
2a	Reliable public financial management (PFM) systems % of countries moving up at least one measure on the PFM/CPIA scale since 2005 <sup>a</sup>
2b	Reliable procurement systems % of countries moving up at least one measure on the four-point scale since 2005
3	Aid flows are aligned on national priorities % of aid for the government sector reported on the government's budget <sup>a</sup>
4	Strengthen capacity by co-ordinated support % of technical co-operation implemented through co-ordinated programmes consistent with national development strategies <sup>a</sup>
5a	Use of country PFM systems % of aid for the government sector using partner countries' PFM systems <sup>b</sup>
5b	Use of country procurement systems % of aid for the government sector using partner countries' procurement systems
6	Strengthen capacity by avoiding parallel PIUs Total number of parallel project implementation units (PIUs) <sup>b</sup>
7	Aid is more predictable % of aid for the government sector disbursed within the fiscal year for which it was scheduled and recorded in government accounting systems <sup>b</sup>
8	Aid is untied % of aid that is fully untied <sup>a</sup>
9	Use of common arrangements or procedures % of aid provided in the context of programme-based approaches <sup>a</sup>
10a	Joint missions % of donor missions to the field undertaken jointly <sup>a</sup>
10b	Joint country analytic work % of country analytic work undertaken jointly <sup>a</sup>
11	Results-oriented frameworks % of countries with transparent and monitorable performance assessment frameworks <sup>a</sup>
12	Mutual accountability % of countries with mutual assessment reviews in place <sup>a</sup>

Source: OECD

The above indicators were further reaffirmed at Accra, Ghana in 2008. The Accra Agenda for Action (AAA) was designed to reinforce and expand on the implementation of the Paris Declaration indicators. The agenda proposed the acceleration of the implementation of the Paris Declaration and further reiterated that ownership, inclusive partnerships, delivering results and capacity development as driving principles towards the effectiveness of ODA.

In this context, ODA effectiveness in the occupied Palestinian territories will be examined qualitatively based on the internationally recognized indicators of ODA effectiveness. Emphasis will be given to the Paris Declaration principles and its indicators as it is assumed to be the most comprehensively agreed upon ODA effectiveness mechanism. Also, the Palestinian National Authority and the international community have both adhered to these indicators.

It's important to distinguish theoretically between the different political atmospheres that have dominated the Palestinian political environment. This research will attempt to set the precedent with the identification of the different political environments as well as categorizing them for the purpose of ODA inflow evaluation. The four political atmospheres are proposed as follows:

- 1) Oslo Peace process (1993-2000)
- 2) Palestinian Intifada (2000-2006)
- 3) Hamas election (2006-2007)

#### 4) Fayyadism (2007-2012)

Firstly, the research will attempt to establish the different dynamics that drove the political environments in the oPt since the inception of the PNA. Moreover, it will also attempt to analyze the different ODA modality flows that resulted as a consequence to the volatile political environment. In this regard, theoretical framework will shift to the process of aid politicization and its direct effects on the effectiveness of ODA to the PNA.

The study is organized into five chapters. The first chapter is composed of the research design aspect of the study. It introduces the literature review available and categorizes the importance of this research. The second chapter is designed as to provide the political and economical background necessary for the evaluation of the ODA process, which is laid out in the third chapter. The fourth chapter; puts forward an analysis of the politicization of aid process and its effect on the effectiveness of ODA in the Palestinian context. The last chapter provides a summary of the extensive analysis provided in chapters four and five.

## OVERVIEW OF PALESTINIAN POLITICAL VOLATILITY

### 4.1. The Oslo Accords

The Oslo Accords of 1993 established a five year provisional agreement throughout which Israel agreed to withdraw from the Palestinian territories occupied in 1967, in exchange for a Palestinian recognition of Israel and cooperation in combating anti-Israeli sentiment (Beinin, 2006). Shortly after, the follow up agreement of Cairo in 1994 entitled that Israel withdraws from about 70 percent of the Gaza Strip and the city of Jericho (Fischer, 1994). This marked the inauguration of the agreed upon interim period and handed over governing responsibilities in the evacuated areas to the National Palestinian Authority. Thereafter, the 1995 Taba follow-up agreement divided the West Bank into three administrative divisions. Area A represents 18 percent of the West Bank where the PNA has full control over civil and internal security affairs. Area B represents 21 percent of the West Bank where the PNA is responsible for civil affairs and security is jointly administered. This area includes more than 400 Palestinian villages and some of the surrounding lands with no Israeli settlements. Area C represents the remaining 61 percent of the West Bank. This area consists of the 144 Israeli settlements, surrounding lands, all major roads, and all Israeli Army declared strategic areas. Furthermore, the treaty reserved the right for Israel to control access to and from the Palestinian territories, foreign relations, use of water resources, and security relations with the region. In addition, Israel even maintained the right to bar any legislation mandated by the Palestinian Legislative Council (Sher, 2006).

The major issues for a permanent resolution were delayed to what was known as “final status” negotiations that were anticipated in 1996. However, the election of the Israeli right-wing Likud party halted the negotiations until 1999. The most important issues for the final phase of negotiations included final status of the Palestinian borders, Israeli settlements, Jerusalem, Palestinian refugees, and water and natural resources rights (Reuveny, 2005).

The economies of the West Bank and Gaza had been deeply integrating within the Israeli economy since their occupation in 1967. Dessus (2005) clarifies the catch up effect of the small and developing Palestinian economy while taking advantage of the larger and more developed Israeli economy between 1968 and 2000. This integration resulted in massive employment of Palestinians in Israel. United Nations Special Coordinator for the Middle East Peace Process (1998) states that the number of Palestinians working in Israel dropped from its height in 1992, at 115,600, to less than 46,000 workers in 1998. Arnon *et al.* (1997) have argued that the sharp drop in employment is largely attributed to the newly implemented Israeli policies of closure and restrictions of movement and access. Moreover, United Nations Special Coordinator for the Middle East Peace Process (1998) states that the percentage of the Palestinian labor force employed in Israel had dropped from nearly 40 percent, prior to the 1993 Oslo accords, to around 10% of the labor force by 1998. This demobilization of Palestinian labor resulted in a large scale market labor failure (Zavadjil, 1997).

Unemployment had always been significantly high in the Palestinian territories prior to the Oslo accords in 1993, but after 1994 the rate of unemployment crept to unprecedented levels.

The unemployment rate rose sharply as the domestic economy could not captivate the services of those recently prevented from accessing the Israeli labor market. In 1996 the unemployment rate peaked at 24 percent followed by mild declines in the following years (Farsakh, 1998). Reuveny (2005) claimed that the adjusted rate of unemployment also peaked in 1996 at 32.7 percent. The Palestinian Central Bureau of Statistics indicates that the average unemployment rate between 1994 and 1999 was 16.7 percent. This high level of unemployment hindered the growth process that was rapidly taking place. Other economic indicators reflect similar dim scenarios. The Gross National Income (GNI) grew under the Oslo era from roughly \$3 Billion Dollars in 1994 to nearly \$5 Billion in 2000. Moreover, real Gross Domestic Product (GDP) had risen in the year 2000 to 20 percent above its 1993 levels. However, this increase was accompanied by rapid growth in population. The result is an eight percent decline in the per capita GDP in the same period.

This deteriorating economic reality laid its heavy toll on ordinary Palestinians who were yet to reap the benefits of the Oslo Accords (UNCTAD, 1998). Moreover, Israeli policies towards illegal settlement construction exasperated the desperation of ordinary Palestinians. Americans for Peace Now (2001) reported a 52.5 percent growth in Israeli

settlement housing between 1993 and 2000. Additionally, the number of settlers had grown by 72 percent in the same period.

The failure of the peace process through the collapse of Camp David negotiations rounds further escalated the atmosphere. The prospect of confrontation was increasingly looming and violence broke out in late 2000. This violence further exacerbated the economical conditions for ordinary Palestinian and resulted in record high unemployment and the shrinkage of the Palestinian economy.

#### **4.2. Al-Aqsa Intifada**

In July, 2000 the Camp David Middle East Peace Summit was held between the Israeli Prime Minister Ehud Barak and Palestinian National Authority Chairman Yasser Arafat, under the guidance of the then United States President Bill Clinton. The negotiations failed to reach a common consensus and both sides shared the blame for this failure. Pressman (2003) clarifies that territory, Jerusalem, refugees and the right of return, security arrangements, and Israeli settlements were the major issues that Palestinian and Israeli representatives failed to agree upon.

The collapse of the peace process was accompanied by increasing Israeli restriction policies, settlement expansions, and economic stagnation. Along with these conditions, Ariel Sharon's provocative visit to the holy sites in Jerusalem fuelled the masses for large scale protests that turned into what's known today as the Second Palestinian

Intifada. Shortly after the breakup of the mass Palestinian protests, the Israeli forces countered with disproportionate aggression. Sher (2006) mentions that France led a mediation process to suppress the violence, but also protested the Israeli overuse of violence against and refusal of an international inquiry. Amnesty International (2001) confirms that most of the Palestinian casualties falling in the first month were in demonstrations where Israeli lives weren't endangered.

The number of Palestinian casualty as a result of the conflict is largely disputed. The end date of the Intifada is also not an agreed upon fact. Baroud (2006) adopts the Israeli unilateral disengagement from the Gaza Strip in 2005 as a major signal to the ending of the Intifada. According to the Israeli Information Center for Human Rights in the Occupied Territories, so called as the B'Tselem, 4,789 Palestinians had been killed by Israeli's between the period of September 2000 and April 2008. Only 35 percent of Palestinians killed had been confirmed as combatants. The percentage of civilians killed ranged anywhere from 46 to 62 percent of total Palestinian fatalities by Israelis. On the other hand, B'Tselem states that 68 percent of the 1,053 Israelis killed by Palestinians during the same period were civilians. Moreover, Remember These Children reports that 982 Palestinian children and 119 Israeli children were killed due to conflict during the same reporting period.

As the second intifada broke out and with violence vastly escalating, Israel imposed increasingly stricter closures, movement, and access restrictions on the populations of

the West Bank and Gaza. Moreover, Palestinian population centers were regularly sieged and placed under curfews, holding virtually the entire Palestinian population in the West Bank under arrest. The United Nations Special Coordinator's Office claims that these activities further escalated the poor economic situation; stifling economic activities, national income, and unemployment resulting in unprecedented hikes in poverty rates and deteriorating social standards (U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, 2002).

In early 2002, the Israeli Defence forces military captured all of the major Palestinian population centers and imposed extended periods of curfews that sometimes would last weeks. The Middle East Research Information Project states that 750,000 Palestinians were living under constant curfews in 2002. This did not only deprive Palestinians from their universal human right of freedom of movement, but it also led to a wide scale economic depression (Hanieh, 2002).

The most direct economic result of the widespread restriction and military policies was a significant decline of the Gross National Income. The Palestinian Central Bureau of Statistics estimates the GNI fell from USD \$4.90 billion in 1999 to USD \$3.7 billion in 2002, a 25 percent decline. The existing policies resulted in a wide scale disturbance of production and market activities as well as thousands of lost working hours due to curfews. The GNI didn't recover to the 1999 levels until 2006. However, the rapid population growth rate implied a much smaller per capita GNI share.

To elaborate, the GNI per capita in 1999 was USD \$1,793 and in 2002 it was USD \$1,215 which is a 32 percent decline. The Palestinian GNI per capita levels didn't recover to their pre Intifada levels until post 2007.

According to Ajluni (2003), the Palestinian economy was relatively increasingly improving by the end of 1999. Ajluni (2003) used the IMF growth expectations for the years 2000, 2001 and 2002 to estimate potential growth rates of the Palestinian National Accounts. In the pre-conflict estimates; the Palestinian GDP was estimated to grow by 12.5 percent and the GNI by 10.9 percent between 1999 and 2002. The rapid increase in population was taken into account and the per capita GDP was expected to increase by 1.74 percent and the GNI by 0.28 percent in the same period. However, these figures were to reflect the pre-crisis levels and didn't take into account the huge disturbance of economic activities and labor movement and access. Comparing the IMF growth expectations and actual growth levels can reflect an economic perspective in the real losses of the crisis between 1999 and 2000. Ajluni (2003) explains that using the difference between the IMF growth estimates and post-crisis growth rates can result in calculating the "economic opportunity loss" of the Palestinian economy due to the Israeli's restrictive economic policies. Hence, Ajluni (2003) using 1997 prices, estimates that the Palestinian GNI's economic opportunity loss totalled USD \$4.8 billion between 1999 and 2002. Furthermore, the per capita GNI loss was USD \$1,477

in the same period. These findings reflect that the losses of the GNI between 1999 and 2002 nearly totalled the Palestinian GNI in 1999.

The decline in economic activities in 2002 and the imposition of curfews across the Palestinian territories led to the impairment of the labor force. Economic indicators reflect this deteriorating reality. Unemployment rates improved from their peak in 1996 as previously analyzed.

The unemployment rates suffered the most. As the graphs illustrates; the rate of the unemployed in the labor force spiked to more than 32 percent by 2002. This is not considering the thousands of lost working hours per worker in 2002 due to curfew impositions. During the 1990's the unemployment rate peaked at 24 percent. However, as the PCBS data reveals, the unemployment rate in early 2000's marked a significant hike as hundreds of thousands of Palestinians were laid off work from Israel and thousands were prevented from actively being employed due to closure policies. The World Bank (2004) states that there were 116,000 Palestinian workers entering Israel before the start of the Intifada in 2000. However, by 2004, that number of workers was only around 37,700. Moreover, the fact that borders were completely sealed with Israeli policies offsetting the possibility of international trade opportunities due to falling wage costs. The World Bank claims that Palestinians real incomes could have dropped even more significantly if it weren't for the international financial assistance.

### **4.3. Hamas's Election**

Hamas was elected to the Palestinian Legislative Council on January 25, 2006. Hamas, the Islamic Resistance Movement, is a Palestinian Islamic political organization founded in 1987 and preceded by the Palestinian Muslim Brotherhood. The United States Congressional Research Service stated in 1993 that the organization was originally registered with Israeli authorities as a religious non-profit organization under the name of 'Al-Mujama.' Shortly after its establishment, the organization relied heavily on appealing to the Palestinian masses through preaching their Islamic political ideologies in mosques, universities, and social institutions (International Institute for Strategic Studies, 2007). The organization largely appealed to the masses in 2006 when they decided to enter the Palestinian Legislative elections. The stagnant peace process coupled with widespread corruption and unaccountability among the Palestinian Liberation Organization actuated the Palestinians to choose an alternative political party. In addition, the death of the symbolic and long PLO leader, Yasser Arafat, in 2004 heavily navigated the popular vote towards Hamas (Naqib, 2000).

From the international perspective, Hamas had already been listed as a terrorist organization by the European Union, Israel, Japan, the United States, and the United Kingdom due to its role in violent clashes with Israel. The Quartet had anticipated the election of Hamas and announced that "All members of the future Palestinian government must be committed to non-violence, recognition of Israel and acceptance of previous agreements and obligations, including the roadmap" (Quartet, 2006). On

the other hand, Hamas firmly stood by its values of not recognizing Israel and called on the international community to demand the end of the Israeli occupation.

The International Institute for Strategic Studies claims that the previous leader Yasser Arafat left the PNA inundated with partiality and corruption. They further assert the then Fatah governed Palestinian territories were heavily plagued with lawlessness and crime as well as failing state institutions and delivery systems mechanisms of public goods (Talia, 1997). These factors heavily contributed to the outing of Fatah from power and the control of Hamas over the electoral vote.

In response to the election of Hamas, Israel, the United States, the United Kingdom, the European Union, and a number of Arab states cut all formal ties with the PNA, imposed sanctions on the newly elected government, and suspended all foreign aid schemes. At the opposite end, according to the Institute of Islamic Political Thought, Hamas could maintain the delivery of basic health and educational services under the sanctions.

The International Institute for Strategic Studies (2007) states the situation in the Palestinian territories escalated between Hamas and their democratically defeated political rival, Fatah, in June 2006. The escalation can be directly contributed to the US backing of the Fatah backed presidential guards. The International Institute for

Strategic Studies (2007) states that Hamas was convinced that the Presidential Guard was being prepared to take over the Gaza Strip, the stronghold of Hamas.

The ramifications of Hamas's elections included international sanctions, cessation of foreign aid, tightening of Israeli restriction policies, and the emergence of an inner Palestinian conflict (International Institute for Strategic Studies, 2007). Fatah is the major Palestinian political party of the Palestinian Liberation Organization. They were the sole representatives of the Palestinians in 1993 when the Oslo accords were signed. Hence, the PNA that was created upon the Oslo Accords was mainly formed of PLO members. Due to reasons mentioned earlier, Hamas gained popularity among the Palestinian masses and started to form a significant political movement. They boycotted the Palestinian presidential elections in 2005 and decided to enrol in the Palestinian Legislative elections in 2006. As previously analyzed, the Palestinians voted for the PLO president as the Palestinian president in 2005. With the Palestinian political leadership split between the presidential and governmental factions, the political divide soon escalated into a violent conflict.

In June 2007, Hamas and Fatah exchanged the blame for the full scale military conflict that took place in the Gaza Strip. As a result, Hamas took over all the official Palestinian institutions as well as security centers. Fatah was removed from the Gaza Strip. On the other hand, the Palestinian president dissolved the unity government and declared a state of emergency and Abbas assumed rule over Gaza and the West Bank

by a presidential decree. The International Committee of the Red Cross estimated the fighting over the Gaza Strip in June 2007 resulted in 118 fatalities and 550 injuries. Both parties were accused of international humanitarian law violations by Human Rights Watch (International Institute for Strategic Studies, 2007).

Due to the political and social divide that aroused after the election of Hamas in January 2006, economic indicators started to spirally deteriorate for the Gaza Strip inhabitants. On the other hand, the Fatah controlled West Bank witnessed a booming economic recovery post the Intifada economic depression. Economic indicators reflect the deep division arising post the post 2005 era. The Hamas government was sanctioned and subjected to strict financial measures; this led directly to the unprecedented rise in poverty levels among the Gaza Strip inhabitants.

The financial status of the Palestinian government in 2006 and 2007 was on the verge of collapse. The Palestinian government was unable to pay the salaries of its 140,000 civil servants. In addition, the Israeli authorities refused to continue transferring Palestinian custom taxes that they collect on behalf of the Palestinian government on border crossings. Soon, the international community tunnelled through alternative funding channels to the West Bank and their favoured Palestinian faction, Fatah. This led to the disproportionate measures arising in economic indicators between the West Bank and the Gaza Strip (International Institute for Strategic Studies, 2007).

Economic indicators reflect the rising divide between employment activities, growth rates, economic activity and trade between the two Palestinian territories. Holistically, the Palestinian economy continued to improve post the Intifada era. However, taking into consideration the two increasingly separate Palestinian entities from an economic perspective reveals the worsening gap between the West Bank and Gaza.

The Palestinian Central Bureau of Statistics data reveals that the Palestinian unemployment rate remained high hovering between the 20 and 25 percent margin between 2005 and 2007 with a slight improvement in 2007. When comparing the unemployment rates between the major West Bank and Gaza Strip Cities' of Ramallah and Gaza, the high divide in the labor force becomes clearer. Ramallah faced stagnation in the unemployment rate around 15 percent, while Gaza's rate didn't fall below 25 percent since 2001. The situation is much worse for the other population centers of the Gaza Strip; Rafah, Khanyunis, and Deir Al-Balah unemployment rates did not fall below 30 percent between 2005 and 2007.

As per the economic activities indicators, during the Hamas government era in 2006 and 2007 the situation was also divided between the West Bank and Gaza. This is due to the fact that ODA didn't stop flowing into the territories. However, ODA was redirected and tunnelled through alternative means to reach mostly for projects being implemented in the West Bank. So, aid was largely diverted away from the strongly Hamas controlled Gaza Strip towards the strongly Fatah controlled West Bank.

Consequently, national income indicators were severely affected for Gazans which were in more poverty and had a dependence on food vouchers distributions.

In general, Gross National Income improved between 2005 and 2007 for the entire territories. But, this improvement, however, wasn't equally shared between the two sides of the territories. As the charts illustrate, the GNI per capita for the Palestinians rebounded from its low levels in 2002. The West Bank per capita GNI demonstrated significant improvement beyond its peak of 1999 at USD \$2,014 in 2007. On the other hand, Gaza's per capita GNI deteriorated in 2006 and 2007 to reach its bottom 2002 levels of USD \$1,061 in 2007. As this analysis will later suggest, foreign aid to Palestinians is not only highly politicized, but its also deeply polarized.

#### **4.4. Fayyadism Era**

The conclusion of the Palestinian division in June 2007 resulted in the separation of the Palestinian political agendas. The Palestinian president appointed Salam Fayyad as an interim prime minister over an independent government that was strongly supported by the donor community. Consequently, Ismail Haniyeh technically remained the prime minister of the Gaza government and Salam Fayyad over the West Bank government.

Fayyadism adopted an independent political agenda that is distinctive from previous approaches by Palestinian factions towards Israel and the economy. Buck (2010) illustrates that Fayyadism adopts that neither political negotiations nor violent conflict

can achieve statehood for the Palestinians. Hence, Fayyad emphasized the roles of strong security, efficient governance, and economic prosperity in independently building the Palestinian state from within. The donor community appealed to vision of the distinctive democratically oriented vision of Fayyadism and rewarded the efforts with increased donor funding.

On one hand, the Fayyad era increased economic activity in the West Bank significantly. Moreover, the capacity of the state institutions and their efficiency was heavily enhanced under this era. Foreign aid was extensively directed towards supporting a viable Palestinian state, capable of achieving strong security on the ground while investing in strong state institutions that are free of corruption. The economic platform of Fayyadism resulted in a massive increase in the Palestinian Gross National Income. According to the PCBS, the GDP growth rate grew by 8 percent in 2009, 9 percent in 2011, and 10 percent in 2012. However, the West Bank experienced high rates of inflation due to the rapid growth rates of the economy. Hence, real growth rates remained low. Fayyadism was successful in improving the security situation and reduce corruption significantly. Moreover, PNA budgets became more transparent and consistent with international standards.

The political division has also resulted in further escalating the economic split between the West Bank and Gaza. The PCBS estimates that the West Bank's GNI per capita had risen to about USD \$3,500 by 2011. On the other hand, Gaza's GNI per capita hovered

around USD \$1,500. The unemployment rate has remained stagnant in the oPt echoing the insignificant connection between the donor driven economic growth that the Fayyad era witnessed and job creation on the ground.

## **OVERVIEW OF AID EFFECTIVENESS IN PALESTINE**

### **5.1. Aid to the Palestinians**

The general agreement of the Oslo Accords in Washington DC in 1993 by Yasser Arafat and Yitzhak Rabin, as representatives of the Palestinian Liberation Organization and the Israeli government, marked the starting point of Official Development Assistance to the Palestinian people represented by the newly formed Palestinian National Authority. The influx of aid was in its essence directed towards building a sustainable Palestinian state. Shortly after the establishment of the PNA, the need for an oversight commission over the large sums of aid that were being pledged by donor countries was realized. Hence, the Ad Hoc Liaison Committee was formed in 1993 in order to oversee the official financial assistance to the PNA.

The Ad Hoc Liaison Committee (AHLC; 1993) is a committee formed of 15 members that functions as the “principle policy-level coordination mechanism for development assistance to the Palestinian people.” The AHLC is chaired by Norway, cosponsored by the European Union and the United States, and includes the Palestinian National Authority, Israel, Russia, Canada, Saudi Arabia, International Monetary Fund, Egypt, Jordan, United Nations, Tunisia and Japan as its member states (AHLC, 1993).

The committee was established to “coordinate and promote assistance efforts of individual donors to the Palestinian people; promote transparency in the activities of

donors, Secretariat and recipient; take particular responsibility for fostering private sector trade and investment; provide a forum for a dialogue regarding assistance activities in order to promote cooperation among donors; inform on a regular basis the relevant groups of the multilateral forum of its activities; monitor developments in the Palestinian economy as a whole; review reports by the Secretariat and pledges made by the donors; and respond to the needs for assistance to the Palestinian people in the context of the Declaration of Principles” (AHLC, 1993).

There are numerous existing joint committees for the purposes of aid coordination and Palestinian-Israeli dialogues. However, based on the literature review provided, aid remains largely ineffective and hasn't served the purpose of economic and social development while maintain an adequate level of sovereignty.

The international aid effectiveness trend was initiated in the 1990's by numerous donor and receiving countries and agencies. It was realized that the vastly diverse approaches to aid delivery and implementation was costing the developing world heavily and hindering the effectiveness of aid. Post-Cold War era, aid was heavily directed towards the poorest nations in order to alleviate them out of poverty and immersing them into the increasingly globalizing system. In this context, the international aid complex partners began to cooperate in order to increase the effectiveness of aid delivery, impact and implementation for the receiving and delivering partners.

In this regard, the Paris Declaration on Aid effectiveness was adopted in 2005 by a collection of receiving and donor agent's representatives as an effort to regulate the effectiveness of the large sums of aid. The Paris declaration adopted five principles that if precisely implemented, aid would be more effective and result in development.

The Palestinians were involved with the aid effectiveness and monitoring movements from the early stages of their authority formation. Aid was mostly jointly disbursed through the AHLC. However, this doesn't imply that aid was effective in achieving its goals for development nor was it delivered effectively by the donor countries. The AHLC only over-sighted the operations of transferring aid.

## **5.2. The Paris Declaration and Palestine**

The Paris declaration principles and indicators in the case of Palestine can be assessed and evaluated as follows:

### **5.2.1. Ownership:**

The principle idea behind the Paris Declaration Principle implies that aid receiving countries demonstrate leadership over their development policies and strategies while maintaining an adequate level of coordination. According to OECD, the receiving nations are to be committed to take the lead in the development and implementation of their developing strategies, identify prioritized results-oriented programs, and taking the initiative in over all coordination of aid and involving the private and civil society

sectors. On the other hand, donors are meant to express respect and follow suit to the leadership of the receiving country and help maintain and develop their capacity in this regard.

In this regard, there is one indicator that OECD has identified in order to evaluate and monitor the implementation of the Ownership principle. The indicator will be utilized against the four political periods that have been identified by answering the question of: Does the Palestinian National Authority have an operational development strategy?

Aid started to flow in to Palestinians in 1994 as the PNA was formed; however the modality of this aid was heavily affected by the heritage of the occupied aid of 1967-1993. Moreover, Brynen (2000) adds that aid was mostly shaped by the interests of national donors. As previously mentioned, the formation of the AHLC was meant for high level coordination of donors and the PNA. However, the realities on the ground implied little to extinct coordination.

The Palestinian second Intifada in 2000 had further deteriorated the situation. Most of the achievements that had been accomplished between 1994 and 2000 of infrastructure and state institutions were wiped by the wave of violence (Brynen, 2000). The unpredictability and slowness of aid disbursements were a major factor in the failure of the ownership principle of the Paris Declaration between 1994 and 2000. Moreover, the wave of violence between 2000 and 2006 left the PNA incapable of planning and

implementing coordinated aid projects with donors. The Hamas era of 2006 and 2007 was further worse on the sense of ownership as donors had decided to divert their aid efforts away from the official channels and redirect them through newly created channels.

The PNA and the World Bank contemplated the first Palestinian development plan under the name of the Palestinian Development and Reform Plan, in December 2007. The PDRP was an adaptation of the 1980's World Bank structural adjustment program, as it endorsed the financial balance of the PNA's budget (Ibrahim & Beaudet, 2012). Furthermore, the PNA has composed the Palestinian National Development Plan 2011-2013.

It is important to take into account that the PNA has been split into two entities since late 2007. This assumption implies that the PDRP and the latest PNDP are only being attempted in the West Bank. The Gaza Strip is being isolated of both development strategies. Ibrahim & Beaudet (2012) further assert that Palestinian NGO's, who are prominent members of the Palestinian society and the aid sector, criticize the transparency of the PDRP and the PNDP. Other aspects that contribute to the failure of the Ownership principle is the unbalanced nature of the local and international actors relationship due to their heavy dependence on foreign aid. In addition, many large donors prefer to channel their donations to certain destinations of aligning agencies and entities. This further hinders the effectiveness of the Ownership principle.

In the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, the ranking of ownership was ranked poorly. The assessment was scored at C while the previously set goal of the PNA was set at B or A. This is to further illustrate the nonexistent nature of the ownership situation of the Palestinian's own development priorities and strategy implementations.

### **5.2.2. Alignment:**

According to the agreed upon principle of Alignment, donors must align their donations strictly in line with the priorities of the development strategies of the receiving country. This implies the interactive use of the procedures and institutions implemented in the local country by the donors in order to empower the local structure. Donors promised to use the existing systems or develop and strengthen the incapable institutions through the following indicator: Is there a reliable Public Financial Management and Procurement system?

According to the OECD (2011b), there are two aspects for this indicator: the public financial management system and procurement. In the case of existing reliable systems, donor countries are typically encouraged to adapt the systems. The idea is to align aid practices to the priorities that are identified according to the national development plans. In the case of the PNA, the case for alignment in general is extremely hard to assess. The hard assessment is due to the presence of the Israeli occupation, lack of

development strategies, and poor financial management systems. Between 1994 and 2007, the development strategy was nonexistent and extremely fragile. In addition, the financial systems of the PNA were fragile and unstable.

The Fayyad era had relatively improved the soundness of the public financial systems. However, donor countries continue to shy away from the use of the public financial management and procurement systems of the PNA for the delivery and implementation of their projects. In the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, the evaluating of the financial and procurement systems reveals that they are not being used by the donor community as well, as they don't meet the 2010 requirements of the OECD.

The next indicator is whether aid flows are aligned with the Palestinian national priorities. The role of a comprehensive and transparent account on aid disbursed can increase the active alignment of aid to the national development strategies as well as enhancing accountability, combating corruption, and better utilization of resources for development. In this sense, the formation of a functioning development plan as well as a financially sound budget is essential in aligning the local development priorities to that of the donors.

In the context of the PNA, if we consider the orthodox evaluation methods for this indicator, the results will reveal continuous failure. However, the approach would

rather be more political. The national priorities of the Palestinians have been diverse according to the different political periods that they have experienced since 1994. Hence, building Palestinian state institutions in the 1990's was a national priority. In addition, maintaining the PNA from fiscal and functional collapse was a priority between 2000 and 2008.

According to Brynen (2000) the donor community in the 1990's desired to structure long-term projects that could aid achieving sustainable development. However, the realities of the situation implied that the national priorities of the Palestinians required speedy aid delivery of budgetary and humanitarian assistance in order to maintain the existence of the political peace process with the Israelis. As for the Intifada and Hamas era, the aid was directed towards humanitarian and emergency assistance to the Palestinians to ensure the continuity of the political entity of the PNA. The Hamas government political ambitions were totally rejected by the international community and, hence, aid was redirected towards alternative channels that avoided the direct financing of the Hamas government.

Although under the Fayyad era, the PNA attempted to develop its own development strategy plans and assume leadership with the donor community, the results on the ground remained minimal. The aligning of the budgetary support and the national interests of the Palestinian remained so poor that in the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA this indicator received a

score of 0 percent. The OECD had set a target for aid recipients of 85 percent. (OECD, 2011b)

According to the OECD, strengthened capacity by a coordinated support indicator is meant to measure the alignment of the donor's technical cooperation with the receiving country's capacity development goals and strategies. This indicator can be divided on two aspects, between the donor and partner perspectives. The OECD assumes that the receiving country is to assign specific capacity development and strengthening them in case they exist. This is to be clearly indicated in the national development plan. The plan is to be interactive and dynamically responsive to the socioeconomic needs of the developing nation. As per the donor communities, they are to align their financial support with the capacity development plan of the recipient country.

Due to the fact that a clear Palestinian developmental plan didn't effectively exist until late 2007, the evaluation of this indicator can be tricky for the political periods proceeding the Fayyad era. According to the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, this indicator received a score of 80 percent, significantly exceeding the OECD 2010 goal of 50 percent. However, the survey admits that this category was largely graded according to the perspective of the donor community, and often the interpretation of "coordinated technical cooperation" is rather too wide (MOPAD, 2012).

**Table 2: Percentage of technical co-operation is co-ordinated with country**

Donor	2010	Donor	2010
Australia	-	Japan	74%
Austria	0%	Korea	100%
Belgium	49%	Netherlands	4%
Canada	0%	Norway	38%
Czech Republic	0%	Poland	-
Denmark	100%	Spain	100%
EU Institutions	48%	Sweden	-
Finland	100%	Switzerland	0%
France	97%	Turkey	52%
Germany	100%	United Kingdom	0%
IFAD	100%	United Nations	39%
Ireland	100%	United States	100%
Italy	55%	World Bank	100%
Total		80%	

Source: MOPAD

As per the political eras preceding the Fayyad era; this indicator remains largely positive for the Oslo era and negative for the Intifada and Hamas eras. During Oslo, the main objective of the donors approaches was mainly directed towards the ambiguous “peace process.” In this regard, the capacity building capacities of the Palestinian society as well as PNA was improved significantly. In addition, the capacity of the PNA to deliver services was built from non existing capabilities.

The role of the use of the country’s PFM and Procurement system indicator is to monitor the use of the existing public financial management and procurement systems

in the receiving county. The effective use would eventually lead to the capacity building and strengthening of the systems and hence enhance the sustainable development approach and citizens empowerment.

According to the OECD (2011b), this indicator has four major national financial systems comprised of budget execution, financial reporting, auditing and procurement systems and procedures. These are to be followed when funding is being provided to the government and any of its public sectors. These indicators quantitatively measure the volume of aid that is channelled through the receiving countries' financial and procurement systems and procedures.

As previously stated, between 1994 and 2007, the development strategy was nonexistent and extremely fragile. In addition, the financial systems of the PNA were fragile and unstable. Due to this fact, the use of the public financial management and procurement systems in the PNA was nonexistent during these political eras.

Furthermore, although the procurement systems improved significantly under the Fayyad era, the utilization remains largely below the international standards. The Palestinian Ministry of Finance indicates that less than 50 percent of the OECD donor uses the Palestinian public financial management systems. Moreover, only 50 percent of the donor respondents to the 2010 Paris Declaration Monitoring Survey conducted by the MOPAD utilize the PNA's procurement systems. On the other hand, all Arab

and non-OECD donors take the Palestinian public financial management system into account when disbursing aid.

**Table 3: Percentage of Aid to Government Sector Uses Country Systems:**

Donor	Public financial management	Procurement
Australia	0%	-
Austria	0%	100%
Belgium	0%	0%
Canada	0%	0%
Czech Republic	0%	0%
Denmark	0%	0%
EU Institutions	0%	0%
Finland	100%	100%
France	51%	96%
Germany	1%	86%
IFAD	0%	0%
Ireland	50%	0%
Italy	0%	46%
Japan	30%	30%
Korea	0%	0%
Netherlands	0%	48%
Norway	0%	5%
Poland	-	-
Spain	9%	28%
Sweden	30%	0%
Switzerland	0%	100%
Turkey	0%	0%
United Kingdom	0%	0%
United Nations	4%	2%
United States	67%	100%
World Bank	81%	81%
Total	37%	51%

Source: MOPAD

Also, there are diverse mechanisms adopted by donors for financial disbursements. There are clear distinctions between the public support of the recurrent government expenditures and developmental support. According to the MOPAD (2012), 59 percent of the financial support to the PNA's recurrent expenditures was channelled through the public financial management systems. In contrast, the development expenditure support is utilized through the public financial management systems is only 19 percent of total financial aid.

The indicators remain largely unmet in the occupied Palestinian territories. This is correctly assumed for the all different four political eras. As shown previously, the system has been increasingly utilized, however it remains largely ineffective.

Avoiding parallel implementation structures, the Paris Declaration of 2005 highlighted the importance of reducing the existence of separate donor-led units of management for daily operations (OECD, 2011b). According to the OECD (2011B), the strong evidence that parallel project implementation units can hinder national capacity building attempts has motivated the PD to reduce their existence. The PIUs can enhance the effectiveness of the delivery system of certain projects as well as the fast delivery of aid. However, they also lead to a migration of national talent towards foreign aid programs and can hinder the accountability process.

The nature of the donor delivery system in the oPt has implied the heavy presence of PIUs in the Palestinian society. In this regard, it can be generally assumed that parallel PIUs were largely present in the oPt during the Oslo accord process. Also, during the second intifada and Hamas rule of 2000 and 2006, PIUs were heavily utilized in order to deliver the largely humanitarian short term oriented aid. The presence of data to support this claim remains largely unattainable.

In contrast, in 2010, 27 parallel PIUs were registered with the Palestinian government (MOPAD, 2012). It's important to note that according to the MOPAD donors remain rather heavily dependent on PIUs. Qualitatively, the donor community has been implementing their projects through PIUs since the establishment of the Palestinian National Authority (Shawwa, 2013).

Providing more predictable aid, in order for aid to be effective, its predictability is essential. Aid recipient countries assign their resources towards serving their national interests. In the Palestinian context, the PNA is heavily dependent on the international aid disbursements, and the lack of the predictability of this aid results in the mismatch between planning and resource allocation. The Paris Declaration asks on the donor countries to provide consistent commitments of aid over a multi-year framework in a timely and predictable manner.

According to the MOPAD (2012), the projected support to the recurrent expenditure segment of the PNA's annual budget is allocated on a need-to-need principle. On the other hand, the projected aid flows to development expenditures are based on previous disbursements.

Expected support to recurrent expenditure is budgeted on a needs basis, while expected support to development expenditure is based on a projection of previous flows. The PNA have never considered aid as an ex-ante element of the budget since its inception. For example, the MOPAD predicted that USD \$1.9 billion would be allocated to the Palestinian government sectors. However, only USD \$1.2 billion were disbursed and the government had to readjust the annual budget accordingly which caused public servants salary shortages in 2010 (Shawwa, 2013).

To further elaborate on the other political eras, it is important to state that aid projections are estimated through major donor conferences that have occurred continually since 1993. The MOPAD claims that aid levels in general to the government sector have been reliable since late 2007. This can be attributed to political factors that have been discussed in earlier chapters. The Hamas era resulted in serious shortages in the government sector flow of ODA as the donor community refused to financially deal with the newly elected government.

During the Oslo accord era, aid was more politically motivated in order to build and strengthen the Palestinian institutions and leadership. This was combined to a political price tag of the continuation of the peace process appeal with the Israelis as well as the active involvement in the suppression of Palestinian resistance to the occupation. The donor community actively anticipated the importance of the viability of the Palestinian state and thus committed large sums of aid that were disbursed through government sector allocations as well other channels. The predictability of aid disbursement was relatively better than in the Intifada era. The ideological principle on which the donor community based its flow of aid had fallen. Violence had escalated and aid was used as a tool for rapid humanitarian assistance relief as well as non-consistent disbursements of budgetary support to prevent the collapse of the PNA.

Untying aid, according to the OECD (2011b) aid is considered to be tied when there are restrictions on the receiving country's ability to allocate the financial assistance received freely. In tied aid cases, the purchasing of goods and services with donated funds are to be done through specific channels. Tied aid can hinder the capacity building process of the receiving country through the elimination of free competition as well as the misallocation of much needed resources.

The case of untying aid is significantly strong in the Palestinian context. In a 2005 survey conducted by the MOPAD, 68 percent of aid was reported to be untied, with most countries reporting a 100 percent score. The United States had its aid untied by 47

percent in 2005. The 2010 MOPAD survey indicates that 78 percent of aid has been untied in the oPt. Most of donors have untied their aid by 100 percent with the exception of the United States which has 60 percent untied and other few OECD members (MOPAD, 2012).

The information available for the Oslo accord era doesn't reflect the reality of tied aid. The central focus during that era was to promote the peace process and allocate resources towards the establishment and viability of the Palestinian government. Under these circumstances, the untied aid was not a priority for the donor community. Moreover, the Intifada and Hamas eras shared similar approaches towards aid disbursements.

**Table 4: Percentage of Untied Aid**

Donor	2005	2007	2011
Australia	100%	100%	100%
Austria	100%	100%	100%
Belgium	100%	100%	100%
Canada	66%	91%	100%
Denmark	-	100%	100%
Finland	100%	100%	100%
France	30%	93%	100%
Germany	52%	100%	100%
Greece	100%	0%	97%
Ireland	100%	100%	100%
Italy	2%	49%	73%
Japan	100%	100%	100%

Korea	-	0%	75%
Luxembourg	100%	100%	100%
Netherlands	97%	100%	100%
New Zealand	97%	100%	100%
Norway	100%	100%	100%
Portugal	100%	100%	100%
Spain	85%	64%	79%
Sweden	100%	100%	100%
Switzerland	100%	97%	100%
United Kingdom	100%	100%	100%
United States	47%	63%	60%
Total	68%	87%	78%

Source: MOPAD

### 5.2.3. Harmonization:

The inadequate coordination of aid disbursements can lead to the lowering of the effectiveness of aid as well mounting unnecessary costs that further hinder the effectiveness of that aid. From the recipient country's perspective; lack of coordination can strain the already fragile coordination and management systems. However, the Harmonization principle of the Paris Declaration focuses on the donor coordination aspect of aid effectiveness. Practically, according to the Harmonization principle, donors are to abridge, coordinate, and share information to increase the effectiveness of their donations and avoid project duplications. The increased coordination can also reduce bureaucratic and implementation costs for the donors. According to the OECD (2011b), donors agreed in 2005 to flow at least two-thirds of their donations through a

program-based approach that takes into account the local systems and increases coordination.

Using common arrangements according to the OECD, project-based approaches are an efficient mechanism to harmonize development aid. Using this approach, donors agree to utilize unified provisions of implementation mechanisms that are prioritized by the receiving country. The Paris Declaration's goal is clear with an estimated two-thirds of projects having to be channelled through program-based approach mechanisms (OECD, 2011b).

According to the MOPAD; a survey was conducted in 2010 to indicate the degree of which this indicator is being implemented in Palestine. Similar information can't be obtained for previous years, nor can they be provided for the political eras of the Oslo Accords, Intifada and Hamas's elections (Shawwa, 2013). According to the MOPAD survey, 57 percent of aid was channelled through program based approaches. In 2010, the United States and World Bank provided approximately \$500 million in budgetary support. Moreover, around \$380 million were allocated through other program based approaches. The total percentage falls short of the 66 percent the Paris Declaration indicates for satisfying this indicator (MOPAD, 2011).

In the Palestinian context, the project based approach mechanism implemented in Palestine consists of the European Union PEGASE mechanism and a general fund for

Government Local Units. In addition, the United States and the World Bank are regular budgetary supporters of the Palestinian government.

**Table 5: Percentage of Program Based Aid**

Donor	2010	Donor	2010
Australia	0%	Japan	0%
Austria	0%	Korea	0%
Belgium	0%	Netherlands	8%
Canada	0%	Norway	16%
Czech Republic	0%	Poland	0%
Denmark	18%	Spain	68%
EU Institutions	92%	Sweden	53%
Finland	48%	Switzerland	28%
France	60%	Turkey	0%
Germany	13%	United Kingdom	4%
IFAD	0%	United Nations	11%
Ireland	45%	United States	55%
Italy	39%	World Bank	80%
Total			57%

Source: MOPAD (2013)

The OECD (2011B) states that aid receiving countries constantly complain about the overly demanding bureaucratic procedures of the donor agencies and countries. According to OECD (2011b), donors ought to conduct fewer missions, coordinate missions with local governments and other donors, and increase joint missions. Moreover, coordinated analytical work is crucial for effective development programs and policies. The OECD considers analytical work to encompass survey evaluations, research papers, discussions and sector studies and strategy research. The Paris

Declaration indicates that donors have the accountability to conduct joint analytic work aligned with their commitments in the recipient country. The benefits of the analytic work include reducing transaction costs for the recipient country, preventing aid and project duplications and enhancing common donor objectives.

**Table 6: Percentage of Aid to Government Sector Uses Country Systems**

Donor	Coordinated Donor Missions	Coordinated Analytic Work
Australia	0%	0%
Austria	0%	100%
Belgium	0%	100%
Canada	0%	50%
Czech Republic	0%	-
Denmark	40%	100%
EU Institutions	45%	87%
Finland	20%	-
France	6%	29%
Germany	50%	100%
IFAD	75%	100%
Ireland	-	-
Italy	0%	29%
Japan	0%	-
Korea	0%	0%
Netherlands	0%	83%
Norway	50%	0%
Poland	-	-
Spain	0%	0%
Sweden	0%	-
Switzerland	0%	0%
Turkey	-	-
United Kingdom	-	-
United Nations	12%	78%
United States	0%	100%

World Bank	2%	0%
Total	8%	38%

Source: MOPAD (2013)

The Paris declaration indicator for shared analysis has two components; coordinated donor missions and coordinated analytic work. The coordinated donor mission's indicator focuses on the share of donor missions conducted jointly by two or more donors. As per the coordinated analytic work indicator; it measures the share of analytic reports conducted by two or more donors from the total number of reports undertaken (OECD, 2011).

In Palestine, 278 missions were reported to the MOPAD survey in 2010, only 8 percent of those missions were conducted jointly by two or more donors (MOPAD, 2012). The Paris Declarations 2010 target is 40 percent. The failure at achieving a higher joint mission's rate can be attributed to the high fragmentation of aid in the Palestinian context. Uncoordinated and sole donor missions hinder the recipient country government's ability to allocate resources efficiently and strategically implement aid projects (Shawwa, 2013). Moreover, transaction costs to the Palestinian government further hinder the effectiveness of aid. In the Palestinian context, MOPAD suggests donor blocks to undertake joint missions on a sectoral level (MOPAD, 2012).

The Paris Declaration appoints two-thirds of the conducted analytical work to be jointly carried out (OECD, 2011b). The 2010 MOPAD survey depicts the failure to

conduct joint analytical work among donors and collectively with the Palestinian government as well. The survey indicates that only 38 percent of the total coordinated donor analytic work was jointly conducted by the donor community in 2010 (MOPAD, 2012).

These aid effectiveness indicators reflect the reality of the uncoordinated and disperse aid disbursements by the donor community. This is also due to the problem of aid fragmentation that is extremely popular in the Palestinian context (OECD, 2011a). This fragmentation has represented the reality of the situation since the inception of the Palestinian government and the wide mismatch between commitments and disbursements, as well as the highly politically manipulated financial support. The fragmentation stretches back to the Oslo era as the existing joint donor mechanisms were established at the inception of the Palestinian National Authority. The Ad-hoc lesion committee has been undertaking the role of joint coordination of donations to the Palestinians since 1993. It's safe to assume that the incapability of the AHLC to effectively satisfy the minimum requirements of the Paris Declaration goals for the shared analysis indicators has been the norm in the Palestinian context since 1994.

#### **5.2.4. Managing For Results**

At the core of this principle, aid donors are to implement aid projects in a manner that emphasizes prioritized results and utilizes information about impacts of projects to enhance aid effectiveness. In the Palestinian context, the MOPAD has demonstrated

serious steps towards improving the implementation of this indicator. In this regard, the MOPAD has launched the Development Assistance and Reform Platform (DARP) to evaluate projects implemented in the Palestinian territories from the donor's perspective.

According to the OECD (2011b), recipient countries ought to provide results-oriented frameworks. The assessment for this indicator is derived from the existence of "Results-Based National Development Strategies" which can be determined through three criteria that include the accessibility of information for stakeholders, quality of development data and a coordinated monitoring and evaluation system.

In the Palestinian context; the evaluation of such mechanisms must be directly linked to the ability of the PNA to address issues effectively. For instance, the lack of ownership and alignment visions from existing aid practices to the Palestinians heavily affects the effectiveness of this indicator. That being said, there has been a move from the PNA, since the Fayyad era, to increase the managing by results indicator and evaluation systems.

In 2010, the oPt was awarded a score of B towards the achievement of this target (MOPAD, 2012). The PNA meets the Paris Declaration target of for this results oriented framework. The MOPAD has created a monitoring tracking the progress of the National Development and Reform Plan. Moreover, it has aligned its goals with the

experience of the Palestinian Central Bureau of Statistics in creating a monitoring and evaluation framework system for the consistent and quarterly reporting on the progress of the 2011-2013 National Development Plan (MOPAD, 2013).

The PNA and the World Bank contemplated the first Palestinian development plan under the name of the Palestinian Development and Reform Plan (PDRP), in December 2007 (World Bank, 2012). Furthermore, the PNA has composed the Palestinian National Development Plan 2011-2013. The late formulation of the development plan in the Palestinian context prevents the investigation of the effectiveness of this indicator for the previous political periods. It is clear that the donor community implemented its own agenda in the oPt since the inception of the PNA. Financing their perspective of maintaining the peace process that has not effectively resulted in any significant political nor economic independence for the Palestinians (World Bank, 2013).

#### **5.2.5. Mutuality Accountability**

The OECD (2011b) emphasizes the importance of strong and balanced accountability mechanisms in achieving effective aid. Generally speaking, this is to be implemented through joint assessments between donors and recipient countries. Moreover, it is to be carried out through existing country mechanisms that evaluate and monitor agreed upon commitments and development strategies. The Paris Declaration values the role

of the developing nations in establishing their own developmental targets and creating effective monitoring systems for tracking progress.

The MOPAD (2012) admits in its survey that his target has not been met by the PNA and its donor partners. Although, significant progress has been channelled towards achieving this goal, the heart of the matters is that most aid neither aligns nor takes into account the priorities of the Palestinian people at heart.

To efficiently achieve progress towards the mutual accountability indicator, political and economic factors must be taken into account. The Palestinian division since 2007 further depreciates the chances for the success of this indicator (World Bank 2013). In addition, the mutual accountability component of the donor community since 1994 has been nonexistent and lacks consistency through the politically motivated aid disbursements. For instance, the Palestinian government had a deficit of \$300 million in donor disbursements leading to the incapability of the PNA to cover its recurrent expenditures (Ibrahim & Beaudet, 2012). This was also true during the Oslo Peace process; as the donor community had prioritized supporting a strong central government to maintain security and order in the Palestinian communities. On the other hand, the Palestinian priorities had always been ending the occupation and creating a viable Palestinian state, capable of economically sustaining its existence.

## **POLITICIZATION OF AID**

### **6.1. International Donor Community**

In 2005, the AHLC redesigned its aid coordination structure to enhance aid effectiveness in the oPt based on the recommendations of the Paris Declaration principles. The Local Development Forum was formed to serve as a catalyst for the AHLC and local level aid coordination. The MOPAD, Norway, the World Bank and the United Nations Special Coordinator Office co-chair the LDF. Generally speaking, the Local Aid Coordination Secretariat of the AHLC bases its practical decision making on the LDF and takes the lead in the aid coordination system in the oPt (PNGO, 2012). In reality, this system has been vain in its delivery mechanisms. The Palestinian Non Governmental Organization network (2012) has expressed its concern about the lack of accountability and transparency of aid practices and the donor community's donor policies through these existing mechanisms. The PNGO (2012) network has pointed to the importance of accommodating the professional Palestinian institutions in the process making and aid coordination agenda set by the LDF. Moreover, the documents and reports of the AHLC and LDF have been unavailable for Palestinian stakeholders and they are not distributed efficiently among the donor community (PNGO, 2012). This is a brief representation of the constant state of mistrust between the Palestinian civil society and the donor community. The local non-governmental Palestinian actors complain about the donor community's approach towards ownership and alignment principles in the Palestinian context.

Ibrahim & Beaudet (2012) add that donor funded programs are evaluated and implemented based on their alignment to the strategic priorities of the donors' rather than to the Palestinian people. According to the ANAN, also known as the Coalition for the Accountability and Integrity, only 40 percent of the total number of foreign organizations operating in Palestine is registered by the PNA (ANAN, 2010). This is due to the fact that all USAID agencies and subsidiaries in the oPt are exempted from registration with the PNA (AMAN, 2010). Consequently the USAID and other partners in the donor community develop their aid programs independently from the MOPAD without any oversight from the Palestinian side. Moreover, the budgets and evaluations are never submitted to the Palestinian Interior nor National Economy ministries. (Tartir, 2011)

Many donors, the United States in particular, don't consider that the essence of the aid ineffectiveness situation in the oPt is due to the illegal Israeli occupation. The United States, which is one of the largest donors, assumes that a collection of economic and social governance problems constitute the major challenge for aid effectiveness in Palestine (Khalidi & Samour, 2011). It is imperative for donor and recipient governments to align their definition of the local situation in order to create a functioning ownership platform that serves the effectiveness of foreign assistance in Palestine. Moreover, due to the heavy dependency of the Palestinians on foreign aid; a deep bureaucratic system has been in formulation since 1994. In reality, the Palestinian

ownership paradigm of aligning their national interests and priorities along the donor's interests doesn't exist.

From a technical perspective, the ownership principle was more relevant in the Palestinian context during the Oslo and Fayyad political eras. This is due to the higher level of coordination between the donor community and the local governments; which is actually a result of the political alignment of these governments with the interests of the donor community, not the other way around. In contrast, the donor community had little or no interaction with the Palestinian governments during the Intifada and Hamas political eras.

The United Nations Conference on Trade and Development report (2011) on the assistance to the Palestinian people called for the non-distorting of aid policies and strategies between the donor community and the PNA. Although since 2007 there has been a development and reform plan in the oPt, it doesn't not necessarily meet the Palestinian's people vision of an independent sovereign political statehood with a viable economic system. UNCTAD (2011) calls for the abandonment of the asymmetrical donor culture at the oPt that supports only donor aligning strategies and policies.

The deep rooted dependency on aid by the PNA and the Palestinian economy has resulted in a large number of foreign and local contractors solely aligned to the strategies and policies of the donors (Devoir & Tartir, 2009). This is specifically

apparent with the USAID and JICA projects, both of which are the largest donor communities next to the European Commission, where the funds are specifically channelled through a pre-coordinated group of contractors and consultants.

The donor community's propagation in Palestine since 1994 has resulted in extreme confusion, not only between donors but also among the Palestinian decision makers. There are more than 60 donor agencies and organizations that actively disburse aid to the Palestinians (PNA, 2007). Moreover, the PNA's Reform and Development Plan also blames the donor community for distributing aid through specified private beneficiaries and entities that had already been decided.

Furthermore, another aspect of aid politicization in the Palestinian context is the high levels of aid fragmentation to the PNA. The global aid fragmentation ratio is estimated at 40 percent (OECD, 2011a). In the Palestinian context, the OECD (2011a) assessed the fragmentation of 31 major donor's aid disbursements and calculated the aid fragmentation ratio at 52 percent. There are few entities in the world with similar aid dependency levels as the PNA that have an aid fragmentation ratio that high. Aid fragmentation increases costs accompanied by the disbursement and delivery of aid. Moreover, it obstructs a developing county's ability to effectively deliver aid projects in a timely and manageable manner (OECD, 2011a). According to OECD (2011a) aid fragmentation can also increase donor's risk of duplicating aid projects as well as hindering the efficiency of allocating aid disbursements.

## **6.2. The Palestinian National Authority**

The reality of the political situation in the oPt has constituted that the PNA is actually one of the most aid dependent political entities in the world (OXFAM, 2008). In this context, the quantity of aid delivered to the Palestinians is imperative in maintaining the economical and political existence of a Palestinian political entity in the future (Donais, 2008). This sobering reality has been consistent since the establishment of the PNA in 1993. The donor community envisioned the establishment of long term developmental projects; however, the financial crisis of the PNA after less than one year of its establishment constituted a shift in the modality of aid (Donais, 2008). In this regard, the humanitarian relief assistance was first adopted in the Palestinian context to maintain the PNA. By 1996, the donor community was further obliged to shift to humanitarian emergency assistance to the Palestinian amid the severe financial crisis the oPt experienced. It is estimated that during the first two years of the PNA's existence more than \$600 million (half of ODA) were disbursed for short-term projects without long term development objectives. This trend continued during the Intifada and Hamas political eras (Fischer, Gamo & Allmen, 2001).

The prompt response of the donor community to the Palestinians plight for financial assistance has always been politically motivated. The PNA has served as a client for the major donors, with its core functions revolving around assuming legal and civil administration duties over the dense Palestinian population centers in the West Bank and Gaza and maintaining the security of the State of Israel (Amundsen, Giacaman

&Khan, 2004). The entire PNA political system has been built and maintained by the donor community. This assumption is particularly true during the Oslo and Fayyadism political eras.

Since 2007, the two main distinct geographic entities that constitute the oPt were politically divided after the Hamas-Fatah confrontations. The result is a further fragmentation of the Palestinian societal, political and economic fabric; the result: two separate and politically hostile entities representing the Palestinian people. From the donor's point of view, the Hamas government was a hostile entity and the way forward was to coordinate and foster the Palestinian government in the West Bank. The entire system of foreign aid was transformed or suspended to manoeuvre around the direct involvement with the Hamas government in Gaza. Temporary international mechanisms were introduced and funds were being channelled through the UN and other alternatives to avoid the Hamas administration of Gaza.

This new reality prompted the donor community to adopt alternative approaches and remodel their funding. According to United Nations Office for the Coordination of Humanitarian Affairs (OCHA) (2009) the donor community switched their mechanisms to emergency humanitarian aid in response to the deterioration in socioeconomic conditions in the Gaza Strip. It is estimated that 61 percent of Gaza's population are food insecure (OCHA, 2009). As previously illustrated, the political division also resulted in deep economic and social divisions between the West Bank

and Gaza. The in-proportionate growth of the West Bank per capita GDP compared to that of the Gaza Strip became evident.

The European Commission Technical Assistance Office illustrates that humanitarian aid to the Gaza Strip had increased from 16 percent to 56 percent of total European Union aid directed towards Palestinians (BBC, 2006). This adaptation to the new situation prevented a full scale humanitarian catastrophe in the Gaza Strip. At the same time, the Hamas administration was incapable of neither paying for public servants salaries nor maintaining basic public services.

The international donor community admits the fragility of the situation. The World Bank repeatedly calls for a political settlement for the situation as an only mean to reduce dependency on humanitarian assistance as the current situation is unsustainable (World Bank, 2002). Moreover, aid has contributed in a deepening of the Palestinian political division. Donors have consistently empowered a Palestinian faction at the expense of other representatives of the Palestinian society (Ibrahim & Beaudet, 2012). For instance, the donor community in the 1990's were concerned with creating a solid political composition able of maintaining the security of the oPt and limiting the internal Palestinian opposition to the Oslo peace process (Keating, Le More & Lowe, 2005). Consequently, an authoritarian undemocratic system emerged in the oPt between 1994-2000. State resources were used to secure the loyalty of a large segment

of society through public service hiring as well as repressing the political opponents of the emerging system (Keating, Le More & Lowe, 2005).

It is virtually impossible for the donor community to assume aid effectiveness in the Palestinian context knowingly admitting to the fragmentation of the political and geographic entities. Aid effectiveness requires ownership and alignment of objectives and goals between the donor community and the receiving entities. That clearly doesn't exist in the Palestinian context. The Palestinian economy is a disintegrated collection of economic clusters crippled by extreme Israeli limitations on market access and freedom of movement of goods and services as well as Palestinians. ODA has aided in suppressing some of the aspects of this closure system, but in reality the national interests of the Palestinians are not limited to sustaining the status quo (Nakhleh, 2004). Rather, an effective developmental plan would include the defragmentation of the political and geographic aspects of the Palestinian society.

In the midst of these political dynamics; the donor community has expressed its commitments for the empowerment of the West Bank political leadership. The Palestinian Reform and Development Plan and the Palestine Development Plan represent the PNA's attempt to comply with the Paris Declaration aid effectiveness goals. In reality, the PRDP and PDP are detached from the reality of the fragmented situation of the oPt. Aid has been channelled through these visions since 2007; however there are major shortcomings that cannot be bypassed in order to maximize

the effectiveness of aid. As Le More (2008) suggests; the financial aid towards these developmental plans extending back to the Oslo era has been a substitution for the failure of the political process between the Palestinians and Israelis.

Therefore, the PNA has attempted to utilize the influx of ODA into the formulation of its popularity through the popular programs and donor funded projects. The politicization of ODA has also gone on long under these policies. The social infrastructure for the Palestinians has received the highest percentage of investment by the donor community. A general look into net ODA received between 2006 and 2010 reveals that 26 percent of ODA was allocated for the social infrastructure sector in the oPt (Global Humanitarian Assistance, 2013). The social infrastructure sector encompasses a wide range of social services that directly impact the local population's ability to experience the immediate effects of these disbursements. As many scholars suggested, the politicization of ODA has stretched further to be utilized by one Palestinian faction over the other.

In a nutshell, the politicization of ODA by the PNA can be summed into two categories. The first category deals with the utilization of ODA for factional political leverage over other Palestinian factions. This politicization has existed since the inception of the PNA. As previously emphasized; ODA was heavily utilized between 1994 and 2000 for the formation of an authoritarian undemocratic system that persecuted political rivals (Keating, Le More & Lowe, 2005). The scenario is similar to the post 2007 era in the

WB; where a similar political system exists and several authors refer to the undemocratic system that utilizes ODA to secure the loyalty of a large segment of society through public service hiring and social infrastructure spending.

The second category can be summed up as the utilization of ODA by the PNA for the achievement of Palestinian national interests. This can be summoned towards the use of ODA for state building and capacity formulation in the West Bank since 2007. Moreover, ODA budgetary support played a major role in the infrastructure building and institution formulation in the West Bank since 2007. The budgetary support segment of ODA received represents 10 percent out of the more than \$10 Billion awarded in ODA between 2006 and 2010 (Global Humanitarian Assistance, 2013). This budgetary support in addition to being utilized for public service hiring, its being utilized for the national political agenda of the PNA towards the declaration of the State of Palestine.

### **6.3. Israeli Politicization**

This research explores beyond the obstructive nature of the Israeli occupation to the Palestinian state. However, it is extremely important to mention the impact of the occupation on the socioeconomic fabric of the Palestinian society and how Israel has been successful at politicizing ODA towards achieving its national priorities.

The West Bank is fragmented into enclaves with a regime of movement and restrictions. This situation is due in large part to the 1995 Oslo Accords which created three distinct zones-Areas A, B, and C- with different security and administrative arrangements and authorities. 'Area A' corresponds to all major population centers where the PNA has full responsibility for both civilian and security matters. 'Area B' encompasses most rural centers, in which the PA is responsible for civilian affairs, with security under joint PNA and Israeli military responsibility. Each enclave, whether Area A or B or a combination of both is surrounded by 'Area C', which covers the remaining area of the West Bank. 'Area C' is under full control of the Israeli military for both security and civilian affairs (OCHA, 2011).

According to OCHA (2011) most of Area C has been administered in favour of Israeli settlements, which receive privileged treatment at the expense of the local Palestinian communities. Such privileges include construction and law enforcement. This stand encompasses the fact that Israel has repeatedly destroyed donor funded projects in the oPt. Around 245 donor-funded structures have been demolished by the Israeli Defense forces since 2011 (OCHA, 2013).

Furthermore, the West Bank is divided into isolated islands of land that are rigidly controlled by a restrictive access and movement web of Israeli checkpoints and movement barriers. According to OCHA (2011) there is more than 500 permanent

Israeli checkpoints and movement barrier in the West Bank. In addition, there always lies the possibility for “flying checkpoints” that can last hours or days at a time.

The separation barrier represents another means of restrictive movements for Palestinians. The Israeli human rights organization B’Tselem (2013) indicates that 8.5 percent of the total West Bank area has been annexed by the Israeli barrier and an additional 4 percent has been annexed. The barrier cuts through Palestinian communities and separates farm land as well as entire communities from their access to facilities and markets (Applied Research Institute-Jerusalem, 2011).

One of the main reasons for the existing fragmentation system of the West Bank is to facilitate the continuity of the Israeli settlement system. The number of Israeli settlers in the West Bank has exploded since the start of the Oslo peace process. According to the Palestinian Central Bureau of Statistics (2013) the number of Israeli settlers has risen from around 270,000 settlers to more than 535,000 settlers by 2011. Palestinians consider Israeli settlements as a major obstacle for any future peaceful settlement. According to OCHA (2011) there are 140 Israeli settlements scattered across the West Bank. Settlements further geographically fragment Palestinian communities due to the complex system of bypass settler only roads that exist to facilitate their movement. According to B’Tselem (2013) almost 40 percent of settlements are built on Palestinian privately owned lands that had been confiscated by Israel.

Friedrich & Luethold (2008) add that the core concern of the donors repeated peace plans and donor funding has been directed towards increasing the security of Israel while ignoring the national interests of the Palestinians. Le More (2008) criticizes the donor community's role in the financing the PNA's inception into a fleeting establishment, sparsely exercising control over non-adjacent populating centers. The PNA has no border identity, nor does it have control over access to its resources and security, foreign and internal policies. Moreover, the PNA doesn't have an independent monetary or fiscal policies and its economy is mostly dependent on the access and movement restrictions imposed by the Israeli defence forces and trade barriers (Barghouti, 2010).

In this context, the Israelis has been able to politicize the influx of ODA towards the maintenance of the existing status quo in the oPt since 1994. Moreover, the increase in ODA flows since 2007 have further resulted in the increased dependency of the Palestinian economy on the much larger Israeli economy. In the meanwhile, the national priorities of Israel represented by the expansion of settlements have continued to exist.

## CONCLUSION

As extensively discussed in this research; perhaps there isn't a political entity in the world as dependent on foreign aid as the PNA. This dependency has been deeply rooted within the Palestinian political structure since the inception of the PNA in 1993. In reality the AHLC has failed at its mandate of coordinating and assessing the flow of ODA from the donor community to their Palestinian correspondents.

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 PNA on ODA flows amid this violently transformative political environment has further crippled the possibility of a politically and economically sovereign Palestinian state. In short, the analysis of the ODA flows to the PNA since its inception in 1993 indicates that ODA has been highly political and in the service of the foreign political agendas with slight reflection on the local population's priorities and aspirations.

When evaluating the ODA effectiveness contemplating a theoretical frame work based on the Paris Declaration principles of Ownership, Alignment, Harmonization, Managing by Results, and Mutual Accountability. The facts on the ground of highly politically motivated aid disbursements, aid fragmentation practices, and the geographical and political fragmentation of Palestinian society play a major role in

hindering any realistic effectiveness of the large sums of ODA. The stalemate of these overarching factors has been applicable during all capricious political environments the oPt has witnessed since 1994.

The effectiveness of the Paris Declaration indicators vary based on the political system existing at the time. For instance, the effectiveness of ODA increased during the Fayyadism era when compared to the previous political systems. This is due in large to the better coordination environment between the donor community and the PNA. It is imperative; however, to take into consideration that the PNA political agenda was most aligned with the donor community's during this era. Moreover, the Gaza Strip was completely marginalized and lacked any viable funding channels for development due to non-aligning political position.

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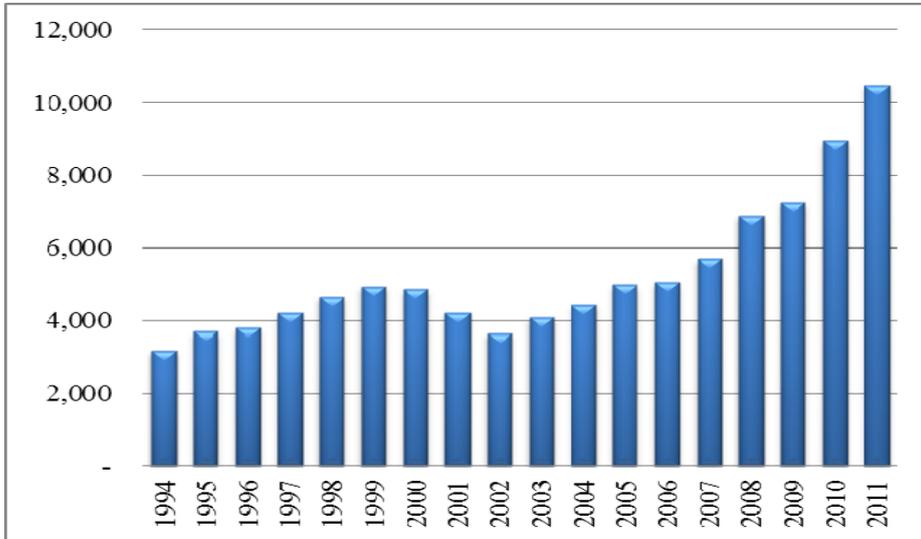
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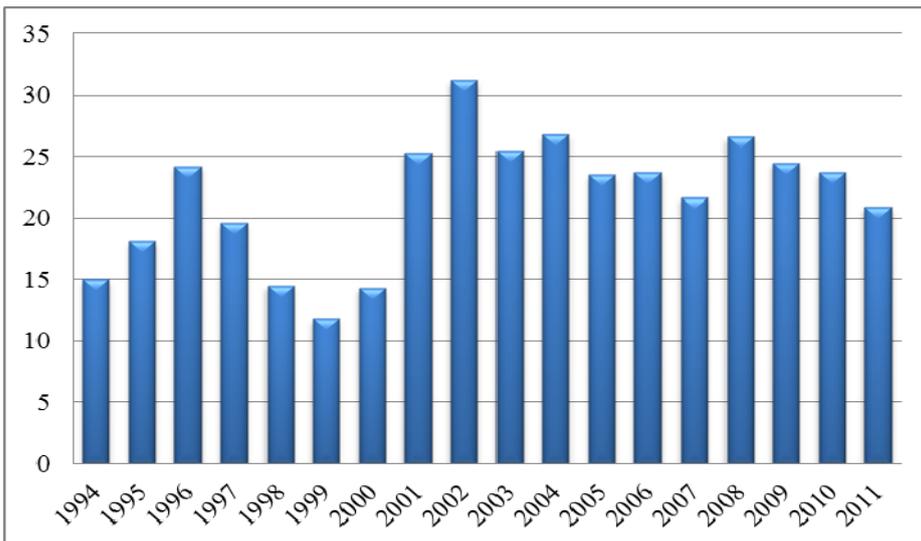
## APPENDIX

**Figure 1: Palestine Unemployment Rate**



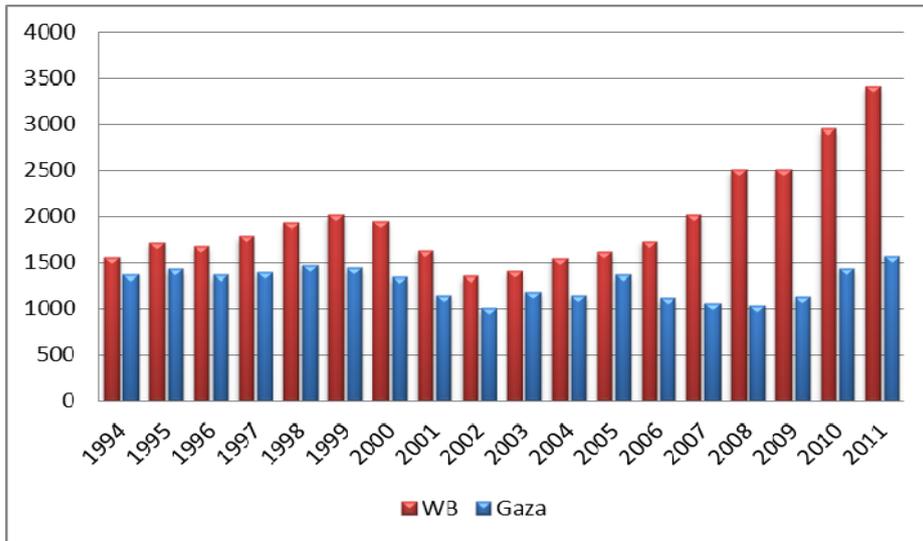
Source: PCBS

**Figure 2: Palestine Gross National Income**



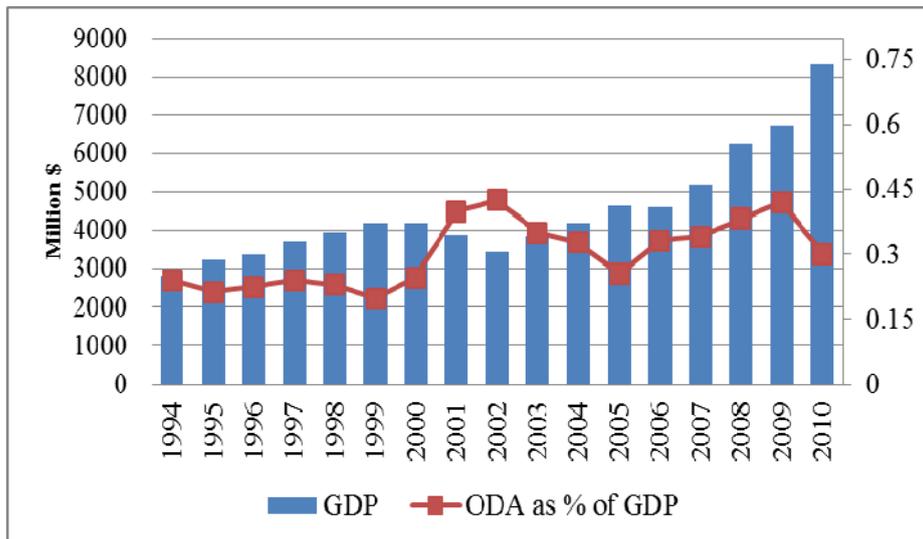
Source: PCBS

**Figure 3: Palestine Per Capita Gross National Income**



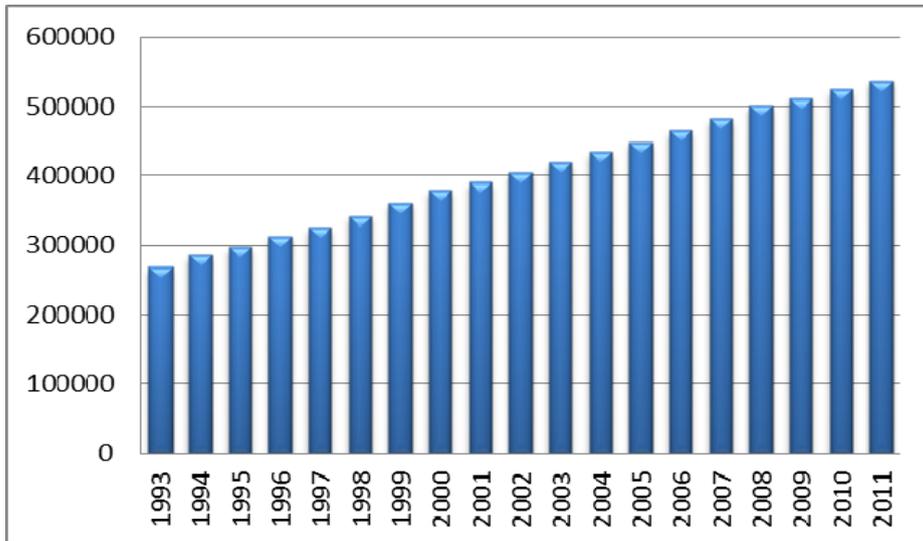
Source: PCBS

**Figure 4: ODA as Percentage of Palestine GDP**



Source: PCBS & World Bank

**Figure 5: Israeli Settlers in the West Bank**



Source: PCBS

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**Master's Degree in International Development Policy**

**Politicization of Aid in Palestine:  
Effectiveness of Official Developmental Assistance  
to Palestinian National Authority**

February, 2014

Program in International Development Policy

Graduate School of International Studies

Seoul National University

**Anas I.M. Iqtait**

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A thesis presented

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**Anas I.M. Iqtait**

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**THESIS ACCEPTANCE CERTIFICATE**

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## **ABSTRACT**

This paper assesses the effectiveness of the influx of Official Development Assistance to the Palestinian people through the Palestinian National Authority, since its inception in 1994. The evaluation process encompasses the reality of the highly politicized nature of the occupied Palestinian territories. The research findings highlight the extremely politicized nature of the Palestinian context. Moreover, it reaffirms the uniqueness of the Palestinian situation and the role of the Israeli occupation in the effectiveness of Official Development Assistance.

The effectiveness of the Paris Declaration indicators vary based on the political system existing at the time. For instance, the effectiveness of ODA increased during the Fayyadism era, when compared to the previous political systems. This is due in large to the better coordination environment between the donor community and the PNA. It is imperative; however, to take into consideration that the PNA political agenda was most aligned with the donor community's during this era. Moreover, the Gaza Strip was completely marginalized and lacked any viable funding channels for development due to non-aligning political positions.

It's important to point out that the ODA flow to the Palestinians has been highly politicized depending on the existing political environment at that time and, predominantly, the security situation. The dependency of the PNA on ODA flows amid this violently transformative political environment has further crippled the possibility of a politically and economically sovereign Palestinian state. In short the analysis of the ODA flows to the PNA since its inception in 1993 indicates that ODA has been highly

political and in the service of the foreign political agendas with slight reflection to the local population's priorities and aspirations.

**Key words:** Official Development Assistance, Politicization of Aid, occupied Palestinian territories, Paris Declaration, Aid effectiveness.

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## **ABBREVIATIONS AND ACRONYMS**

AAA: Accra Agenda for Action  
AHLC: Ad Hoc Liaison Committee  
AMAN: Coalition for the Accountability and Integrity  
B'Tselem: Israeli Information Center for Human Rights in the Occupied Territories  
DAC: Development Assistance Committee  
EU: European Union  
EC: European Commission  
GDP: Gross Domestic Product  
GS: Gaza Strip  
GNI: Gross National Income  
JICA: Japan International Cooperation Agency  
LDF: Local Development Forum  
LACS: Local Aid Coordination Secretariat  
MOPAD: Ministry of Planning and Administrative Development  
PCBS: Palestinian Central Bureau of Statistics  
PD: Paris Declaration  
PNA: Palestinian National Authority  
PRDP: Palestinian Reform and Development Plan  
PDP: Palestinian National Development Plan  
PNGO: Palestinian Non Governmental Organization  
ODA: Official Development Assistance  
OECD: Organization for Economic Co-operation and Development  
oPt: occupied Palestinian territory  
UN: United Nations  
UNRWA: United Nations Relief and Works Program  
UNOCHA: United Nations Office for the Coordination of Humanitarian Affairs  
UNSCO: United Nations Special Coordinator  
USAID: United States Agency for International Development  
TWB: West Bank  
WB: World Bank

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## INTRODUCTION

The Oslo Accords marked a significant shift in diplomacy in the Middle East. The Arab-Israeli conflict had raged for decades prior to 1994, and it was concluded by the Palestinian Intifada that broke out in 1987. The Palestinians had aspired for an independent state that would put an end to their unfortunate involvement in European politics during the first and second World Wars (Arnon, 1997).

In this regard, the world cheered on the peace process and committed to a serious of donations that could foster the possibility of a viable and independent Palestinian State in the region. In this context, the flow of aid was relatively large when compared to most other regions of the world. The Palestinians have received more than \$24 Billion of ODA since the establishment of the PNA in 1993.

These massive disbursements have created a wide mechanism of aid delivery and maintenance. In 1994, the newly formed PNA had faced its first critical financial crisis; at the time, the donor community had envisioned a long term developmental assistance donor funding that could result in an independent Palestinian economy. However, at the time of the crisis, the donor community had to disburse its first short term project type assistance that was directly channelled through the PNA's budget and independent aid disbursement mechanisms.

Amidst the realities of the new political situation in the oPt, the importance of development cooperation mounted to unprecedented heights. The forth convention on

aid effectiveness asserts that there is no other political entity on earth that is as dependent on international donations as the PNA. The truth of the matter is that ODA constitutes the entire existence of the PNA. It's essential to expand on the effectiveness of this ODA's disbursements and determine their potential.

According to the International Court of Justice as well as the Supreme Court of Israel, the Palestinian territories captured in the Arab-Israeli war of 1967 are occupied territories. The International Court of Justice's advisory opinion in 2004 states: "The territories situated between the Green Line and the former eastern boundaries of Palestine under the Mandate were occupied by Israel in 1967 during the armed conflict between Israel and Jordan. Under customary international law, these were therefore occupied territories in which Israel had the status of occupying Power. Subsequent events in these territories, as described in paragraphs 75 to 77 above, have done nothing to alter this situation. All these territories (including East Jerusalem) remain occupied territories and Israel has continued to have the status of occupying Power" (Hirsch, 2005).

In this context, the Palestinian State and its actual existence remain ambiguously dominated by the Israeli military's occupation. The international aid disbursements have poured in to the 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 Association, 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).

## LITRATURE REVIEW

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). In this context; the politicization of aid to the Palestinians was shaped since the inception of the Palestinian-Israeli negotiations journey. Consequently, existing literature on aid effectiveness in Palestine and the effects of aid politicization are examined in this section.

### **2.1 Aid effectiveness**

Most of the literature existing indicates that the three major goals of international aid of supporting the two-state solution's agenda, achieving economic and social development for Palestinians, and promoting institution building for a viable state were in reality hardly accomplished by the large influx of international aid. After reviewing a wide range of literature, aid ineffectiveness in the Palestinian context can be divided into five segments.

#### **2.1.1. Political Effectiveness**

Due to the highly political nature of the aid handed over to the Palestinian National Authority, much of the existing literature examined aid's political consequences. Aid is being utilized as an alternative to the political process in Palestine. The policies of the donor community are typically determined by the interaction among them and by the

dynamics with Israel as well. The Palestinian involvement in this process rarely matters. Moreover, the aid policies of the donor community focus on the short term approach rather than a long term developmental approach. There is an increasing number of concerns about the possibility of involvement of the international donor community's policies towards the political status that have contributed in the violation of the IHL. Moreover, the Palestinian political division has been deepened, largely due to the exclusionary nature of the donor community's policies towards empowering one Palestinian faction over the rest of the Palestinian political organizations (Le More 2008).

### **2.1.2 Macroeconomic Effectiveness**

Tartir argues that the Palestinian economy's impressive growth in 2008, 2009, and 2010 has been a "jobless growth" and largely is accelerated by international financial support. Moreover, the aid is even blamed for diminishing the production capabilities of the Palestinian economy and discriminatory against the poor. The socioeconomic indicators further reveal the de-development status of the international aid effect on the macroeconomic conditions. Tartir (2011) describes the macroeconomic situation as follows: "Using the consumption-based definition of poverty, 26% of the Palestinians lived in poverty in 2009 and 2010. However, using the income-based definition of poverty, 50% of the Palestinians lived in poverty in 2009 and 2010 [...] 50% of Palestinian households were impacted by food insecurity (33% food-insecure, 17% vulnerable to food insecurity). Unemployment has remained at around 25%.

Unemployment rate for Palestinian youth under 30 is particularly alarming standing at 43%.”

### **2.1.3. Developmental Effectiveness**

Further expanding on the literature determining macroeconomic effectiveness argued by many scholars; the effects of international aid on development have also been arguable in nature. Many argue that aid has been incapable of achieving any significant development due to ignoring the underlying factors of Israeli closure policies, military occupations and the existence of settlements (Turner, 2009). Also; some other scholars emphasize that under the existing development paradigm of the international community; sustainable development is hard to achieve (Wake, 2008). Some scholars argue that international aid in the Palestinian context must even stretch further to encompass basic human rights principles for the Palestinians as well as a domestically built national priority oriented developmental plan. Otherwise; international aid will only make life more tolerable under the existing occupation and will never foster sustainable development (Tartir, 2011). Under the existing aid modalities; moreover, the disguising of the harsh realities will remain the status quo, and under this modality aid will be wasted from a developmental perspective (Abdelnour, 2011).

### **2.1.4. Aid Process Effectiveness**

I intend to examine the aid effectiveness through the Paris Declaration’s point of view. So, it’s important to review similar literature and possibly point out possible

shortcomings. This will be discussed in the next chapters. In 2012, Ibrahim & Beaudet shallowly examined international aid based on the Paris Declaration principles. I can summarize their findings as: ownership is nonexistent, alignment and mutuality are highly determined by donors, harmonization is barely implemented, and managing by results reflects the interests of the donor nations rather than a Palestinian national developmental plan (Ibrahim & Beaudet, 2012). However there are some shortcomings and issues ignored by this study that will be addressed in this research.

#### **2.1.5 Contextual Effectiveness**

Many scholars have also argued that there is a dilemma of “aid-under-occupation” in the Palestinian context. This reflects the wide range of contextual ineffectiveness in the aid disbursement and planning process (Tartir, 2011). The occupied Palestinian territories are of a highly sensitive topic. This is due to the fact that the Palestinian National Authority, which is the sole recipient of the mass amounts of aid, has very limited control over its own territories (Taghdisi-Rad, 2010). Furthermore, Ibrahim & Beaudet (2012) argue that occupation continues to determine all processes in the oPt, including development cooperation. However, donors choose to ignore this fact, thus contributing in the creation of a dependent, non-sustainable entity with minimal control over its own resources and developmental rights (Ibrahim & Beaudet, 2012).

## **2.2. Politicization of Aid**

Literature review appoints that there are many unintended consequences of aid disbursements in conflict and post conflict contexts. The potential negative impacts of aid can be summarized into a three pioneered framework; the emergence of aid over-reliance, aid exploitation by stakeholders, and reiteration of present political structures (Grellmann, 2011).

Firstly, it is argued that aid weakens the capabilities of the local population's survival mechanisms in utilizing local resources (Slim, 1997). Replacing all the local mechanisms such as food distribution and providing health services can dilute the local political structure's capability for utilizing domestic resources. Consequently, this may cause these resources to be used to alternative political gains by the local factions (Anderson, 1999).

Secondly, in conflict and post conflict contexts aid resources represent political and economic dominance. Hence, conflicting political parties usually attempt to gain control over these resources. In some contexts, aid is stolen and taken over by the conflicting parties which fuels existing conflicts (Anderson, 1999; Kevlihan, 2005; Shearer, 2000; Slim, 1997). Moreover, aid disbursements lead to a supply and demand mismatch within the economic structure of the recipient country leading to market failures (Shearer, 2000). Also, recipients can sometimes extremely exploit aid by utilizing the donations for military training for instance (Lischer, 2003).

Thirdly, the literature also emphasizes that aid can empower the political factions that already exist in the recipient countries. Operating under an existing political situation forces the donor community to comply with the used principles and regulations undertaken. In this context, aid usually has to operate under the undertaken structure compiling legitimacy over the recipient political regime (Anderson, 1999; Albaladejo, 1993). Furthermore, the donor community often channels aid toward specific political factions which in return fuels conflict and raises competition (Anderson, 1999).

The summary of this literature highlights the three main characteristics that compose the politicization process of aid in post conflict areas. The exact mechanism of aid politicization is heavily dependent on the local context. In Palestine, aid politicization could play a major role in the aid effectiveness process.

### **2.3. Significance of the Research**

The review of the limited literature available on the effectiveness of ODA in the oPt as well as the aid politicization influence reveals two major shortcomings. While there is unanimous agreement upon the ineffectiveness of international aid for the purposes that Le More (2008) proposed--of supporting the peace process leading to a two-state solution, fostering economic and social development, and promoting institution-building--most literature falls into the trap of stating the obvious of blaming the occupation policies for the underperformance of the vast sums of aid. While it's

important to state the proven devastating impact of the occupation policies on the development of the oPt, existing literature takes the easy route of solely blaming the occupation and donors aligning positions. There isn't currently any research that takes the occupation as an existing reality, as it has been for 45 years, and explores beyond the structural modalities of aid.

Moreover, International aid inflows for the PNA started shortly after the signing of the Oslo peace accords at Washington in 1993. Aid, however didn't follow as expected as the political situation was subjected to turmoil.

Hence, past literature has evaluated aid from a static point of view by ignoring the dynamics of the political volatility in the oPt. This major shortcoming can influence the outcome of the aid effectiveness analysis. In conjunction, most scholars have evaluated aid during the last political period.

Scholars haven't provided a comprehensive evaluation of ODA in the oPt in each of the four political periods henceforth connecting the successful and failing indicators of effectiveness. This study will surpass the shortcomings in being the first comprehensive ODA evaluation study that will not only evaluate ODA but will also explore possible reasons of how and why this ODA is failing beyond the existence of a brutal occupation regime and lack of sovereignty.

## **2.4. Research Questions**

Shortcomings of existing ODA effectiveness research leaves room for possible hypothesis and questions that must be explored. If aid hasn't been effectively and comprehensively evaluated, then there is void in the scholarly world for this analysis that could prove pivotal for future ODA policies or other similar regions. The first area of curiosity can lead us to wonder how the different political atmospheres affected the flow and behaviour of ODA. Moreover, if I find similar conclusions of wide ODA ineffectiveness then I can legitimately wonder why it has been ineffective in certain areas.

Some of the research questions I will pursue for this thesis include: Has Official Developmental Assistance been effective in the occupied Palestinian territories since 1993? How has different political periods affected ODA effectiveness? If ODA has been ineffective: Why has it been ineffective? What are the main determinants hindering its effectiveness?

## **RESEARCH METHODOLOGY**

### **3.1. Data Collection**

This research will attempt to answer the proposed questions through a qualitative analytical framework. Data will be used to illustrate the research findings and analysis. Many data sources will be used. Multiple United Nations and World Bank reports have been evaluated and will be used in the introduction and aid modalities sectors. As per the research section, these studies will help to visualize the impact of certain international projects and programs on the Palestinian community. Moreover, an OECD survey included the Palestinian National Authority in evaluating the aid effectiveness through the Paris Declaration Principles has been utilized for the analysis section. The timeline of this evaluation study will cover the entire existence of the Palestinian National Authority. This covers from 1993-2012.

### **3.2 Theoretical Framework**

The research will attempt to evaluate the effectiveness of the influx of Official Developmental Assistance to the Palestinian National Authority since its inception in 1994. The evaluation of the aid effectiveness practices can be done at multi-levels. The study is not to evaluate the impact of ODA on socioeconomic indicators; however, it will evaluate the compliance of the ODA flow with the internationally recognized principles of aid effectiveness.

One of the most important aspects of aid effectiveness from the recipient country's perspective is the compliance with the principle of ownership. The domestic national leadership of international aid is an essential element towards the process of aid effectiveness. This was emphasized during the Monterrey Consensus on Financing for Development in 2002 where the principles of good governance within this theoretical framework are necessary for achieving aid effectiveness.

Moreover, the Rome Declaration on Harmonization was endorsed in 2003 to further enhance the role of ODA effectiveness in the international aid arena. The declaration emphasized the role of harmonization in eradicating poverty, sustainable economic growth, and sustainable development and reiterated the role of ODA effectiveness practices in achieving these goals. The idea of ODA harmonization between the donor community and the recipient countries encompasses the delivery systems of ODA to harmonize the management policies as well as the procedures of the donor community with that of the recipient country.

In this context, the Rome Declaration set a number of goals that the donor and recipient communities agreed to commit upon (OECD, 2003):

- Ensuring that development assistance is delivered in accordance with partner country priorities.
- Reviewing and identifying ways to amend individual institutions' and countries' policies, procedures, and practices to facilitate harmonization. In

addition, reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonize documentation.

- Implementing progressively the good practice standards or principles in development assistance delivery and management, taking into account specific country circumstances. Disseminate the good practices to our managers and staff at headquarters and in country offices and to other in-country development partners.
- Intensifying donor efforts to work through delegated cooperation at the country level and increasing the flexibility of country-based staff to manage country programmes and projects more effectively and efficiently.
- Developing, at all levels, incentives that foster management and staff recognition of the benefits of harmonization in the interest of increased aid effectiveness.
- Providing support for country analytic work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results.
- Expanding or mainstreaming country-led efforts to streamline donor procedures and practices, including enhancing demand-driven technical cooperation.
- Providing budget, sector, or balance of payments support where it is consistent with the mandate of the donor, and when appropriate policy and fiduciary arrangements are in place.

- Promoting harmonised approaches in global and regional programs.

The topic of aid effectiveness was further discussed in the Paris Declaration on aid effectiveness in 2005. Prior to the Paris Declaration; the agreed upon commitments were unmonitorable actions that did not adapt a monitoring and evaluation system for tracking the effectiveness of ODA. The international donor community and the developing world agreed to form measurable indicators for the effectiveness of ODA delivery systems and management. These serious steps were taken towards the commitment of the developed and developing world for utilizing aid in a more effective approach for achieving the Millennium Development Goals.

Consequently, the five principles for aid-effectiveness were declared with a total of 12 indicators, which can be summoned as follows (OECD, 2011b):

**Table 1: Paris Declaration Indicators**

1	Operational Development Strategies % of countries having a national development strategy rated "A" or "B" on a five-point scale <sup>a</sup>
2a	Reliable public financial management (PFM) systems % of countries moving up at least one measure on the PFM/CPIA scale since 2005 <sup>a</sup>
2b	Reliable procurement systems % of countries moving up at least one measure on the four-point scale since 2005
3	Aid flows are aligned on national priorities % of aid for the government sector reported on the government's budget <sup>a</sup>
4	Strengthen capacity by co-ordinated support % of technical co-operation implemented through co-ordinated programmes consistent with national development strategies <sup>a</sup>
5a	Use of country PFM systems % of aid for the government sector using partner countries' PFM systems <sup>b</sup>
5b	Use of country procurement systems % of aid for the government sector using partner countries' procurement systems
6	Strengthen capacity by avoiding parallel PIUs Total number of parallel project implementation units (PIUs) <sup>b</sup>
7	Aid is more predictable % of aid for the government sector disbursed within the fiscal year for which it was scheduled and recorded in government accounting systems <sup>b</sup>
8	Aid is untied % of aid that is fully untied <sup>a</sup>
9	Use of common arrangements or procedures % of aid provided in the context of programme-based approaches <sup>a</sup>
10a	Joint missions % of donor missions to the field undertaken jointly <sup>a</sup>
10b	Joint country analytic work % of country analytic work undertaken jointly <sup>a</sup>
11	Results-oriented frameworks % of countries with transparent and monitorable performance assessment frameworks <sup>a</sup>
12	Mutual accountability % of countries with mutual assessment reviews in place <sup>a</sup>

Source: OECD

The above indicators were further reaffirmed at Accra, Ghana in 2008. The Accra Agenda for Action (AAA) was designed to reinforce and expand on the implementation of the Paris Declaration indicators. The agenda proposed the acceleration of the implementation of the Paris Declaration and further reiterated that ownership, inclusive partnerships, delivering results and capacity development as driving principles towards the effectiveness of ODA.

In this context, ODA effectiveness in the occupied Palestinian territories will be examined qualitatively based on the internationally recognized indicators of ODA effectiveness. Emphasis will be given to the Paris Declaration principles and its indicators as it is assumed to be the most comprehensively agreed upon ODA effectiveness mechanism. Also, the Palestinian National Authority and the international community have both adhered to these indicators.

It's important to distinguish theoretically between the different political atmospheres that have dominated the Palestinian political environment. This research will attempt to set the precedent with the identification of the different political environments as well as categorizing them for the purpose of ODA inflow evaluation. The four political atmospheres are proposed as follows:

- 1) Oslo Peace process (1993-2000)
- 2) Palestinian Intifada (2000-2006)
- 3) Hamas election (2006-2007)

#### 4) Fayyadism (2007-2012)

Firstly, the research will attempt to establish the different dynamics that drove the political environments in the oPt since the inception of the PNA. Moreover, it will also attempt to analyze the different ODA modality flows that resulted as a consequence to the volatile political environment. In this regard, theoretical framework will shift to the process of aid politicization and its direct effects on the effectiveness of ODA to the PNA.

The study is organized into five chapters. The first chapter is composed of the research design aspect of the study. It introduces the literature review available and categorizes the importance of this research. The second chapter is designed as to provide the political and economical background necessary for the evaluation of the ODA process, which is laid out in the third chapter. The fourth chapter; puts forward an analysis of the politicization of aid process and its effect on the effectiveness of ODA in the Palestinian context. The last chapter provides a summary of the extensive analysis provided in chapters four and five.

## OVERVIEW OF PALESTINIAN POLITICAL VOLATILITY

### 4.1. The Oslo Accords

The Oslo Accords of 1993 established a five year provisional agreement throughout which Israel agreed to withdraw from the Palestinian territories occupied in 1967, in exchange for a Palestinian recognition of Israel and cooperation in combating anti-Israeli sentiment (Beinin, 2006). Shortly after, the follow up agreement of Cairo in 1994 entitled that Israel withdraws from about 70 percent of the Gaza Strip and the city of Jericho (Fischer, 1994). This marked the inauguration of the agreed upon interim period and handed over governing responsibilities in the evacuated areas to the National Palestinian Authority. Thereafter, the 1995 Taba follow-up agreement divided the West Bank into three administrative divisions. Area A represents 18 percent of the West Bank where the PNA has full control over civil and internal security affairs. Area B represents 21 percent of the West Bank where the PNA is responsible for civil affairs and security is jointly administered. This area includes more than 400 Palestinian villages and some of the surrounding lands with no Israeli settlements. Area C represents the remaining 61 percent of the West Bank. This area consists of the 144 Israeli settlements, surrounding lands, all major roads, and all Israeli Army declared strategic areas. Furthermore, the treaty reserved the right for Israel to control access to and from the Palestinian territories, foreign relations, use of water resources, and security relations with the region. In addition, Israel even maintained the right to bar any legislation mandated by the Palestinian Legislative Council (Sher, 2006).

The major issues for a permanent resolution were delayed to what was known as “final status” negotiations that were anticipated in 1996. However, the election of the Israeli right-wing Likud party halted the negotiations until 1999. The most important issues for the final phase of negotiations included final status of the Palestinian borders, Israeli settlements, Jerusalem, Palestinian refugees, and water and natural resources rights (Reuveny, 2005).

The economies of the West Bank and Gaza had been deeply integrating within the Israeli economy since their occupation in 1967. Dessus (2005) clarifies the catch up effect of the small and developing Palestinian economy while taking advantage of the larger and more developed Israeli economy between 1968 and 2000. This integration resulted in massive employment of Palestinians in Israel. United Nations Special Coordinator for the Middle East Peace Process (1998) states that the number of Palestinians working in Israel dropped from its height in 1992, at 115,600, to less than 46,000 workers in 1998. Arnon *et al.* (1997) have argued that the sharp drop in employment is largely attributed to the newly implemented Israeli policies of closure and restrictions of movement and access. Moreover, United Nations Special Coordinator for the Middle East Peace Process (1998) states that the percentage of the Palestinian labor force employed in Israel had dropped from nearly 40 percent, prior to the 1993 Oslo accords, to around 10% of the labor force by 1998. This demobilization of Palestinian labor resulted in a large scale market labor failure (Zavadjil, 1997).

Unemployment had always been significantly high in the Palestinian territories prior to the Oslo accords in 1993, but after 1994 the rate of unemployment crept to unprecedented levels.

The unemployment rate rose sharply as the domestic economy could not captivate the services of those recently prevented from accessing the Israeli labor market. In 1996 the unemployment rate peaked at 24 percent followed by mild declines in the following years (Farsakh, 1998). Reuveny (2005) claimed that the adjusted rate of unemployment also peaked in 1996 at 32.7 percent. The Palestinian Central Bureau of Statistics indicates that the average unemployment rate between 1994 and 1999 was 16.7 percent. This high level of unemployment hindered the growth process that was rapidly taking place. Other economic indicators reflect similar dim scenarios. The Gross National Income (GNI) grew under the Oslo era from roughly \$3 Billion Dollars in 1994 to nearly \$5 Billion in 2000. Moreover, real Gross Domestic Product (GDP) had risen in the year 2000 to 20 percent above its 1993 levels. However, this increase was accompanied by rapid growth in population. The result is an eight percent decline in the per capita GDP in the same period.

This deteriorating economic reality laid its heavy toll on ordinary Palestinians who were yet to reap the benefits of the Oslo Accords (UNCTAD, 1998). Moreover, Israeli policies towards illegal settlement construction exasperated the desperation of ordinary Palestinians. Americans for Peace Now (2001) reported a 52.5 percent growth in Israeli

settlement housing between 1993 and 2000. Additionally, the number of settlers had grown by 72 percent in the same period.

The failure of the peace process through the collapse of Camp David negotiations rounds further escalated the atmosphere. The prospect of confrontation was increasingly looming and violence broke out in late 2000. This violence further exacerbated the economical conditions for ordinary Palestinian and resulted in record high unemployment and the shrinkage of the Palestinian economy.

#### **4.2. Al-Aqsa Intifada**

In July, 2000 the Camp David Middle East Peace Summit was held between the Israeli Prime Minister Ehud Barak and Palestinian National Authority Chairman Yasser Arafat, under the guidance of the then United States President Bill Clinton. The negotiations failed to reach a common consensus and both sides shared the blame for this failure. Pressman (2003) clarifies that territory, Jerusalem, refugees and the right of return, security arrangements, and Israeli settlements were the major issues that Palestinian and Israeli representatives failed to agree upon.

The collapse of the peace process was accompanied by increasing Israeli restriction policies, settlement expansions, and economic stagnation. Along with these conditions, Ariel Sharon's provocative visit to the holy sites in Jerusalem fuelled the masses for large scale protests that turned into what's known today as the Second Palestinian

Intifada. Shortly after the breakup of the mass Palestinian protests, the Israeli forces countered with disproportionate aggression. Sher (2006) mentions that France led a mediation process to suppress the violence, but also protested the Israeli overuse of violence against and refusal of an international inquiry. Amnesty International (2001) confirms that most of the Palestinian casualties falling in the first month were in demonstrations where Israeli lives weren't endangered.

The number of Palestinian casualty as a result of the conflict is largely disputed. The end date of the Intifada is also not an agreed upon fact. Baroud (2006) adopts the Israeli unilateral disengagement from the Gaza Strip in 2005 as a major signal to the ending of the Intifada. According to the Israeli Information Center for Human Rights in the Occupied Territories, so called as the B'Tselem, 4,789 Palestinians had been killed by Israeli's between the period of September 2000 and April 2008. Only 35 percent of Palestinians killed had been confirmed as combatants. The percentage of civilians killed ranged anywhere from 46 to 62 percent of total Palestinian fatalities by Israelis. On the other hand, B'Tselem states that 68 percent of the 1,053 Israelis killed by Palestinians during the same period were civilians. Moreover, Remember These Children reports that 982 Palestinian children and 119 Israeli children were killed due to conflict during the same reporting period.

As the second intifada broke out and with violence vastly escalating, Israel imposed increasingly stricter closures, movement, and access restrictions on the populations of

the West Bank and Gaza. Moreover, Palestinian population centers were regularly sieged and placed under curfews, holding virtually the entire Palestinian population in the West Bank under arrest. The United Nations Special Coordinator's Office claims that these activities further escalated the poor economic situation; stifling economic activities, national income, and unemployment resulting in unprecedented hikes in poverty rates and deteriorating social standards (U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, 2002).

In early 2002, the Israeli Defence forces military captured all of the major Palestinian population centers and imposed extended periods of curfews that sometimes would last weeks. The Middle East Research Information Project states that 750,000 Palestinians were living under constant curfews in 2002. This did not only deprive Palestinians from their universal human right of freedom of movement, but it also led to a wide scale economic depression (Hanieh, 2002).

The most direct economic result of the widespread restriction and military policies was a significant decline of the Gross National Income. The Palestinian Central Bureau of Statistics estimates the GNI fell from USD \$4.90 billion in 1999 to USD \$3.7 billion in 2002, a 25 percent decline. The existing policies resulted in a wide scale disturbance of production and market activities as well as thousands of lost working hours due to curfews. The GNI didn't recover to the 1999 levels until 2006. However, the rapid population growth rate implied a much smaller per capita GNI share.

To elaborate, the GNI per capita in 1999 was USD \$1,793 and in 2002 it was USD \$1,215 which is a 32 percent decline. The Palestinian GNI per capita levels didn't recover to their pre Intifada levels until post 2007.

According to Ajluni (2003), the Palestinian economy was relatively increasingly improving by the end of 1999. Ajluni (2003) used the IMF growth expectations for the years 2000, 2001 and 2002 to estimate potential growth rates of the Palestinian National Accounts. In the pre-conflict estimates; the Palestinian GDP was estimated to grow by 12.5 percent and the GNI by 10.9 percent between 1999 and 2002. The rapid increase in population was taken into account and the per capita GDP was expected to increase by 1.74 percent and the GNI by 0.28 percent in the same period. However, these figures were to reflect the pre-crisis levels and didn't take into account the huge disturbance of economic activities and labor movement and access. Comparing the IMF growth expectations and actual growth levels can reflect an economic perspective in the real losses of the crisis between 1999 and 2000. Ajluni (2003) explains that using the difference between the IMF growth estimates and post-crisis growth rates can result in calculating the "economic opportunity loss" of the Palestinian economy due to the Israeli's restrictive economic policies. Hence, Ajluni (2003) using 1997 prices, estimates that the Palestinian GNI's economic opportunity loss totalled USD \$4.8 billion between 1999 and 2002. Furthermore, the per capita GNI loss was USD \$1,477

in the same period. These findings reflect that the losses of the GNI between 1999 and 2002 nearly totalled the Palestinian GNI in 1999.

The decline in economic activities in 2002 and the imposition of curfews across the Palestinian territories led to the impairment of the labor force. Economic indicators reflect this deteriorating reality. Unemployment rates improved from their peak in 1996 as previously analyzed.

The unemployment rates suffered the most. As the graphs illustrates; the rate of the unemployed in the labor force spiked to more than 32 percent by 2002. This is not considering the thousands of lost working hours per worker in 2002 due to curfew impositions. During the 1990's the unemployment rate peaked at 24 percent. However, as the PCBS data reveals, the unemployment rate in early 2000's marked a significant hike as hundreds of thousands of Palestinians were laid off work from Israel and thousands were prevented from actively being employed due to closure policies. The World Bank (2004) states that there were 116,000 Palestinian workers entering Israel before the start of the Intifada in 2000. However, by 2004, that number of workers was only around 37,700. Moreover, the fact that borders were completely sealed with Israeli policies offsetting the possibility of international trade opportunities due to falling wage costs. The World Bank claims that Palestinians real incomes could have dropped even more significantly if it weren't for the international financial assistance.

### **4.3. Hamas's Election**

Hamas was elected to the Palestinian Legislative Council on January 25, 2006. Hamas, the Islamic Resistance Movement, is a Palestinian Islamic political organization founded in 1987 and preceded by the Palestinian Muslim Brotherhood. The United States Congressional Research Service stated in 1993 that the organization was originally registered with Israeli authorities as a religious non-profit organization under the name of 'Al-Mujama.' Shortly after its establishment, the organization relied heavily on appealing to the Palestinian masses through preaching their Islamic political ideologies in mosques, universities, and social institutions (International Institute for Strategic Studies, 2007). The organization largely appealed to the masses in 2006 when they decided to enter the Palestinian Legislative elections. The stagnant peace process coupled with widespread corruption and unaccountability among the Palestinian Liberation Organization actuated the Palestinians to choose an alternative political party. In addition, the death of the symbolic and long PLO leader, Yasser Arafat, in 2004 heavily navigated the popular vote towards Hamas (Naqib, 2000).

From the international perspective, Hamas had already been listed as a terrorist organization by the European Union, Israel, Japan, the United States, and the United Kingdom due to its role in violent clashes with Israel. The Quartet had anticipated the election of Hamas and announced that "All members of the future Palestinian government must be committed to non-violence, recognition of Israel and acceptance of previous agreements and obligations, including the roadmap" (Quartet, 2006). On

the other hand, Hamas firmly stood by its values of not recognizing Israel and called on the international community to demand the end of the Israeli occupation.

The International Institute for Strategic Studies claims that the previous leader Yasser Arafat left the PNA inundated with partiality and corruption. They further assert the then Fatah governed Palestinian territories were heavily plagued with lawlessness and crime as well as failing state institutions and delivery systems mechanisms of public goods (Talia, 1997). These factors heavily contributed to the outing of Fatah from power and the control of Hamas over the electoral vote.

In response to the election of Hamas, Israel, the United States, the United Kingdom, the European Union, and a number of Arab states cut all formal ties with the PNA, imposed sanctions on the newly elected government, and suspended all foreign aid schemes. At the opposite end, according to the Institute of Islamic Political Thought, Hamas could maintain the delivery of basic health and educational services under the sanctions.

The International Institute for Strategic Studies (2007) states the situation in the Palestinian territories escalated between Hamas and their democratically defeated political rival, Fatah, in June 2006. The escalation can be directly contributed to the US backing of the Fatah backed presidential guards. The International Institute for

Strategic Studies (2007) states that Hamas was convinced that the Presidential Guard was being prepared to take over the Gaza Strip, the stronghold of Hamas.

The ramifications of Hamas's elections included international sanctions, cessation of foreign aid, tightening of Israeli restriction policies, and the emergence of an inner Palestinian conflict (International Institute for Strategic Studies, 2007). Fatah is the major Palestinian political party of the Palestinian Liberation Organization. They were the sole representatives of the Palestinians in 1993 when the Oslo accords were signed. Hence, the PNA that was created upon the Oslo Accords was mainly formed of PLO members. Due to reasons mentioned earlier, Hamas gained popularity among the Palestinian masses and started to form a significant political movement. They boycotted the Palestinian presidential elections in 2005 and decided to enrol in the Palestinian Legislative elections in 2006. As previously analyzed, the Palestinians voted for the PLO president as the Palestinian president in 2005. With the Palestinian political leadership split between the presidential and governmental factions, the political divide soon escalated into a violent conflict.

In June 2007, Hamas and Fatah exchanged the blame for the full scale military conflict that took place in the Gaza Strip. As a result, Hamas took over all the official Palestinian institutions as well as security centers. Fatah was removed from the Gaza Strip. On the other hand, the Palestinian president dissolved the unity government and declared a state of emergency and Abbas assumed rule over Gaza and the West Bank

by a presidential decree. The International Committee of the Red Cross estimated the fighting over the Gaza Strip in June 2007 resulted in 118 fatalities and 550 injuries. Both parties were accused of international humanitarian law violations by Human Rights Watch (International Institute for Strategic Studies, 2007).

Due to the political and social divide that aroused after the election of Hamas in January 2006, economic indicators started to spirally deteriorate for the Gaza Strip inhabitants. On the other hand, the Fatah controlled West Bank witnessed a booming economic recovery post the Intifada economic depression. Economic indicators reflect the deep division arising post the post 2005 era. The Hamas government was sanctioned and subjected to strict financial measures; this led directly to the unprecedented rise in poverty levels among the Gaza Strip inhabitants.

The financial status of the Palestinian government in 2006 and 2007 was on the verge of collapse. The Palestinian government was unable to pay the salaries of its 140,000 civil servants. In addition, the Israeli authorities refused to continue transferring Palestinian custom taxes that they collect on behalf of the Palestinian government on border crossings. Soon, the international community tunnelled through alternative funding channels to the West Bank and their favoured Palestinian faction, Fatah. This led to the disproportionate measures arising in economic indicators between the West Bank and the Gaza Strip (International Institute for Strategic Studies, 2007).

Economic indicators reflect the rising divide between employment activities, growth rates, economic activity and trade between the two Palestinian territories. Holistically, the Palestinian economy continued to improve post the Intifada era. However, taking into consideration the two increasingly separate Palestinian entities from an economic perspective reveals the worsening gap between the West Bank and Gaza.

The Palestinian Central Bureau of Statistics data reveals that the Palestinian unemployment rate remained high hovering between the 20 and 25 percent margin between 2005 and 2007 with a slight improvement in 2007. When comparing the unemployment rates between the major West Bank and Gaza Strip Cities' of Ramallah and Gaza, the high divide in the labor force becomes clearer. Ramallah faced stagnation in the unemployment rate around 15 percent, while Gaza's rate didn't fall below 25 percent since 2001. The situation is much worse for the other population centers of the Gaza Strip; Rafah, Khanyunis, and Deir Al-Balah unemployment rates did not fall below 30 percent between 2005 and 2007.

As per the economic activities indicators, during the Hamas government era in 2006 and 2007 the situation was also divided between the West Bank and Gaza. This is due to the fact that ODA didn't stop flowing into the territories. However, ODA was redirected and tunnelled through alternative means to reach mostly for projects being implemented in the West Bank. So, aid was largely diverted away from the strongly Hamas controlled Gaza Strip towards the strongly Fatah controlled West Bank.

Consequently, national income indicators were severely affected for Gazans which were in more poverty and had a dependence on food vouchers distributions.

In general, Gross National Income improved between 2005 and 2007 for the entire territories. But, this improvement, however, wasn't equally shared between the two sides of the territories. As the charts illustrate, the GNI per capita for the Palestinians rebounded from its low levels in 2002. The West Bank per capita GNI demonstrated significant improvement beyond its peak of 1999 at USD \$2,014 in 2007. On the other hand, Gaza's per capita GNI deteriorated in 2006 and 2007 to reach its bottom 2002 levels of USD \$1,061 in 2007. As this analysis will later suggest, foreign aid to Palestinians is not only highly politicized, but its also deeply polarized.

#### **4.4. Fayyadism Era**

The conclusion of the Palestinian division in June 2007 resulted in the separation of the Palestinian political agendas. The Palestinian president appointed Salam Fayyad as an interim prime minister over an independent government that was strongly supported by the donor community. Consequently, Ismail Haniyeh technically remained the prime minister of the Gaza government and Salam Fayyad over the West Bank government.

Fayyadism adopted an independent political agenda that is distinctive from previous approaches by Palestinian factions towards Israel and the economy. Buck (2010) illustrates that Fayyadism adopts that neither political negotiations nor violent conflict

can achieve statehood for the Palestinians. Hence, Fayyad emphasized the roles of strong security, efficient governance, and economic prosperity in independently building the Palestinian state from within. The donor community appealed to vision of the distinctive democratically oriented vision of Fayyadism and rewarded the efforts with increased donor funding.

On one hand, the Fayyad era increased economic activity in the West Bank significantly. Moreover, the capacity of the state institutions and their efficiency was heavily enhanced under this era. Foreign aid was extensively directed towards supporting a viable Palestinian state, capable of achieving strong security on the ground while investing in strong state institutions that are free of corruption. The economic platform of Fayyadism resulted in a massive increase in the Palestinian Gross National Income. According to the PCBS, the GDP growth rate grew by 8 percent in 2009, 9 percent in 2011, and 10 percent in 2012. However, the West Bank experienced high rates of inflation due to the rapid growth rates of the economy. Hence, real growth rates remained low. Fayyadism was successful in improving the security situation and reduce corruption significantly. Moreover, PNA budgets became more transparent and consistent with international standards.

The political division has also resulted in further escalating the economic split between the West Bank and Gaza. The PCBS estimates that the West Bank's GNI per capita had risen to about USD \$3,500 by 2011. On the other hand, Gaza's GNI per capita hovered

around USD \$1,500. The unemployment rate has remained stagnant in the oPt echoing the insignificant connection between the donor driven economic growth that the Fayyad era witnessed and job creation on the ground.

## **OVERVIEW OF AID EFFECTIVENESS IN PALESTINE**

### **5.1. Aid to the Palestinians**

The general agreement of the Oslo Accords in Washington DC in 1993 by Yasser Arafat and Yitzhak Rabin, as representatives of the Palestinian Liberation Organization and the Israeli government, marked the starting point of Official Development Assistance to the Palestinian people represented by the newly formed Palestinian National Authority. The influx of aid was in its essence directed towards building a sustainable Palestinian state. Shortly after the establishment of the PNA, the need for an oversight commission over the large sums of aid that were being pledged by donor countries was realized. Hence, the Ad Hoc Liaison Committee was formed in 1993 in order to oversee the official financial assistance to the PNA.

The Ad Hoc Liaison Committee (AHLC; 1993) is a committee formed of 15 members that functions as the “principle policy-level coordination mechanism for development assistance to the Palestinian people.” The AHLC is chaired by Norway, cosponsored by the European Union and the United States, and includes the Palestinian National Authority, Israel, Russia, Canada, Saudi Arabia, International Monetary Fund, Egypt, Jordan, United Nations, Tunisia and Japan as its member states (AHLC, 1993).

The committee was established to “coordinate and promote assistance efforts of individual donors to the Palestinian people; promote transparency in the activities of

donors, Secretariat and recipient; take particular responsibility for fostering private sector trade and investment; provide a forum for a dialogue regarding assistance activities in order to promote cooperation among donors; inform on a regular basis the relevant groups of the multilateral forum of its activities; monitor developments in the Palestinian economy as a whole; review reports by the Secretariat and pledges made by the donors; and respond to the needs for assistance to the Palestinian people in the context of the Declaration of Principles” (AHLC, 1993).

There are numerous existing joint committees for the purposes of aid coordination and Palestinian-Israeli dialogues. However, based on the literature review provided, aid remains largely ineffective and hasn't served the purpose of economic and social development while maintain an adequate level of sovereignty.

The international aid effectiveness trend was initiated in the 1990's by numerous donor and receiving countries and agencies. It was realized that the vastly diverse approaches to aid delivery and implementation was costing the developing world heavily and hindering the effectiveness of aid. Post-Cold War era, aid was heavily directed towards the poorest nations in order to alleviate them out of poverty and immersing them into the increasingly globalizing system. In this context, the international aid complex partners began to cooperate in order to increase the effectiveness of aid delivery, impact and implementation for the receiving and delivering partners.

In this regard, the Paris Declaration on Aid effectiveness was adopted in 2005 by a collection of receiving and donor agent's representatives as an effort to regulate the effectiveness of the large sums of aid. The Paris declaration adopted five principles that if precisely implemented, aid would be more effective and result in development.

The Palestinians were involved with the aid effectiveness and monitoring movements from the early stages of their authority formation. Aid was mostly jointly disbursed through the AHLC. However, this doesn't imply that aid was effective in achieving its goals for development nor was it delivered effectively by the donor countries. The AHLC only over-sighted the operations of transferring aid.

## **5.2. The Paris Declaration and Palestine**

The Paris declaration principles and indicators in the case of Palestine can be assessed and evaluated as follows:

### **5.2.1. Ownership:**

The principle idea behind the Paris Declaration Principle implies that aid receiving countries demonstrate leadership over their development policies and strategies while maintaining an adequate level of coordination. According to OECD, the receiving nations are to be committed to take the lead in the development and implementation of their developing strategies, identify prioritized results-oriented programs, and taking the initiative in over all coordination of aid and involving the private and civil society

sectors. On the other hand, donors are meant to express respect and follow suit to the leadership of the receiving country and help maintain and develop their capacity in this regard.

In this regard, there is one indicator that OECD has identified in order to evaluate and monitor the implementation of the Ownership principle. The indicator will be utilized against the four political periods that have been identified by answering the question of: Does the Palestinian National Authority have an operational development strategy?

Aid started to flow in to Palestinians in 1994 as the PNA was formed; however the modality of this aid was heavily affected by the heritage of the occupied aid of 1967-1993. Moreover, Brynen (2000) adds that aid was mostly shaped by the interests of national donors. As previously mentioned, the formation of the AHLC was meant for high level coordination of donors and the PNA. However, the realities on the ground implied little to extinct coordination.

The Palestinian second Intifada in 2000 had further deteriorated the situation. Most of the achievements that had been accomplished between 1994 and 2000 of infrastructure and state institutions were wiped by the wave of violence (Brynen, 2000). The unpredictability and slowness of aid disbursements were a major factor in the failure of the ownership principle of the Paris Declaration between 1994 and 2000. Moreover, the wave of violence between 2000 and 2006 left the PNA incapable of planning and

implementing coordinated aid projects with donors. The Hamas era of 2006 and 2007 was further worse on the sense of ownership as donors had decided to divert their aid efforts away from the official channels and redirect them through newly created channels.

The PNA and the World Bank contemplated the first Palestinian development plan under the name of the Palestinian Development and Reform Plan, in December 2007. The PDRP was an adaptation of the 1980's World Bank structural adjustment program, as it endorsed the financial balance of the PNA's budget (Ibrahim & Beaudet, 2012). Furthermore, the PNA has composed the Palestinian National Development Plan 2011-2013.

It is important to take into account that the PNA has been split into two entities since late 2007. This assumption implies that the PDRP and the latest PNDP are only being attempted in the West Bank. The Gaza Strip is being isolated of both development strategies. Ibrahim & Beaudet (2012) further assert that Palestinian NGO's, who are prominent members of the Palestinian society and the aid sector, criticize the transparency of the PDRP and the PNDP. Other aspects that contribute to the failure of the Ownership principle is the unbalanced nature of the local and international actors relationship due to their heavy dependence on foreign aid. In addition, many large donors prefer to channel their donations to certain destinations of aligning agencies and entities. This further hinders the effectiveness of the Ownership principle.

In the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, the ranking of ownership was ranked poorly. The assessment was scored at C while the previously set goal of the PNA was set at B or A. This is to further illustrate the nonexistent nature of the ownership situation of the Palestinian's own development priorities and strategy implementations.

### **5.2.2. Alignment:**

According to the agreed upon principle of Alignment, donors must align their donations strictly in line with the priorities of the development strategies of the receiving country. This implies the interactive use of the procedures and institutions implemented in the local country by the donors in order to empower the local structure. Donors promised to use the existing systems or develop and strengthen the incapable institutions through the following indicator: Is there a reliable Public Financial Management and Procurement system?

According to the OECD (2011b), there are two aspects for this indicator: the public financial management system and procurement. In the case of existing reliable systems, donor countries are typically encouraged to adapt the systems. The idea is to align aid practices to the priorities that are identified according to the national development plans. In the case of the PNA, the case for alignment in general is extremely hard to assess. The hard assessment is due to the presence of the Israeli occupation, lack of

development strategies, and poor financial management systems. Between 1994 and 2007, the development strategy was nonexistent and extremely fragile. In addition, the financial systems of the PNA were fragile and unstable.

The Fayyad era had relatively improved the soundness of the public financial systems. However, donor countries continue to shy away from the use of the public financial management and procurement systems of the PNA for the delivery and implementation of their projects. In the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, the evaluating of the financial and procurement systems reveals that they are not being used by the donor community as well, as they don't meet the 2010 requirements of the OECD.

The next indicator is whether aid flows are aligned with the Palestinian national priorities. The role of a comprehensive and transparent account on aid disbursed can increase the active alignment of aid to the national development strategies as well as enhancing accountability, combating corruption, and better utilization of resources for development. In this sense, the formation of a functioning development plan as well as a financially sound budget is essential in aligning the local development priorities to that of the donors.

In the context of the PNA, if we consider the orthodox evaluation methods for this indicator, the results will reveal continuous failure. However, the approach would

rather be more political. The national priorities of the Palestinians have been diverse according to the different political periods that they have experienced since 1994. Hence, building Palestinian state institutions in the 1990's was a national priority. In addition, maintaining the PNA from fiscal and functional collapse was a priority between 2000 and 2008.

According to Brynen (2000) the donor community in the 1990's desired to structure long-term projects that could aid achieving sustainable development. However, the realities of the situation implied that the national priorities of the Palestinians required speedy aid delivery of budgetary and humanitarian assistance in order to maintain the existence of the political peace process with the Israelis. As for the Intifada and Hamas era, the aid was directed towards humanitarian and emergency assistance to the Palestinians to ensure the continuity of the political entity of the PNA. The Hamas government political ambitions were totally rejected by the international community and, hence, aid was redirected towards alternative channels that avoided the direct financing of the Hamas government.

Although under the Fayyad era, the PNA attempted to develop its own development strategy plans and assume leadership with the donor community, the results on the ground remained minimal. The aligning of the budgetary support and the national interests of the Palestinian remained so poor that in the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA this indicator received a

score of 0 percent. The OECD had set a target for aid recipients of 85 percent. (OECD, 2011b)

According to the OECD, strengthened capacity by a coordinated support indicator is meant to measure the alignment of the donor's technical cooperation with the receiving country's capacity development goals and strategies. This indicator can be divided on two aspects, between the donor and partner perspectives. The OECD assumes that the receiving country is to assign specific capacity development and strengthening them in case they exist. This is to be clearly indicated in the national development plan. The plan is to be interactive and dynamically responsive to the socioeconomic needs of the developing nation. As per the donor communities, they are to align their financial support with the capacity development plan of the recipient country.

Due to the fact that a clear Palestinian developmental plan didn't effectively exist until late 2007, the evaluation of this indicator can be tricky for the political periods proceeding the Fayyad era. According to the MOPAD survey on the implementation of the Paris Declaration Principles to the PNA, this indicator received a score of 80 percent, significantly exceeding the OECD 2010 goal of 50 percent. However, the survey admits that this category was largely graded according to the perspective of the donor community, and often the interpretation of "coordinated technical cooperation" is rather too wide (MOPAD, 2012).

**Table 2: Percentage of technical co-operation is co-ordinated with country**

Donor	2010	Donor	2010
Australia	-	Japan	74%
Austria	0%	Korea	100%
Belgium	49%	Netherlands	4%
Canada	0%	Norway	38%
Czech Republic	0%	Poland	-
Denmark	100%	Spain	100%
EU Institutions	48%	Sweden	-
Finland	100%	Switzerland	0%
France	97%	Turkey	52%
Germany	100%	United Kingdom	0%
IFAD	100%	United Nations	39%
Ireland	100%	United States	100%
Italy	55%	World Bank	100%
Total		80%	

Source: MOPAD

As per the political eras preceding the Fayyad era; this indicator remains largely positive for the Oslo era and negative for the Intifada and Hamas eras. During Oslo, the main objective of the donors approaches was mainly directed towards the ambiguous “peace process.” In this regard, the capacity building capacities of the Palestinian society as well as PNA was improved significantly. In addition, the capacity of the PNA to deliver services was built from non existing capabilities.

The role of the use of the country’s PFM and Procurement system indicator is to monitor the use of the existing public financial management and procurement systems

in the receiving county. The effective use would eventually lead to the capacity building and strengthening of the systems and hence enhance the sustainable development approach and citizens empowerment.

According to the OECD (2011b), this indicator has four major national financial systems comprised of budget execution, financial reporting, auditing and procurement systems and procedures. These are to be followed when funding is being provided to the government and any of its public sectors. These indicators quantitatively measure the volume of aid that is channelled through the receiving countries' financial and procurement systems and procedures.

As previously stated, between 1994 and 2007, the development strategy was nonexistent and extremely fragile. In addition, the financial systems of the PNA were fragile and unstable. Due to this fact, the use of the public financial management and procurement systems in the PNA was nonexistent during these political eras.

Furthermore, although the procurement systems improved significantly under the Fayyad era, the utilization remains largely below the international standards. The Palestinian Ministry of Finance indicates that less than 50 percent of the OECD donor uses the Palestinian public financial management systems. Moreover, only 50 percent of the donor respondents to the 2010 Paris Declaration Monitoring Survey conducted by the MOPAD utilize the PNA's procurement systems. On the other hand, all Arab

and non-OECD donors take the Palestinian public financial management system into account when disbursing aid.

**Table 3: Percentage of Aid to Government Sector Uses Country Systems:**

Donor	Public financial management	Procurement
Australia	0%	-
Austria	0%	100%
Belgium	0%	0%
Canada	0%	0%
Czech Republic	0%	0%
Denmark	0%	0%
EU Institutions	0%	0%
Finland	100%	100%
France	51%	96%
Germany	1%	86%
IFAD	0%	0%
Ireland	50%	0%
Italy	0%	46%
Japan	30%	30%
Korea	0%	0%
Netherlands	0%	48%
Norway	0%	5%
Poland	-	-
Spain	9%	28%
Sweden	30%	0%
Switzerland	0%	100%
Turkey	0%	0%
United Kingdom	0%	0%
United Nations	4%	2%
United States	67%	100%
World Bank	81%	81%
Total	37%	51%

Source: MOPAD

Also, there are diverse mechanisms adopted by donors for financial disbursements. There are clear distinctions between the public support of the recurrent government expenditures and developmental support. According to the MOPAD (2012), 59 percent of the financial support to the PNA's recurrent expenditures was channelled through the public financial management systems. In contrast, the development expenditure support is utilized through the public financial management systems is only 19 percent of total financial aid.

The indicators remain largely unmet in the occupied Palestinian territories. This is correctly assumed for the all different four political eras. As shown previously, the system has been increasingly utilized, however it remains largely ineffective.

Avoiding parallel implementation structures, the Paris Declaration of 2005 highlighted the importance of reducing the existence of separate donor-led units of management for daily operations (OECD, 2011b). According to the OECD (2011B), the strong evidence that parallel project implementation units can hinder national capacity building attempts has motivated the PD to reduce their existence. The PIUs can enhance the effectiveness of the delivery system of certain projects as well as the fast delivery of aid. However, they also lead to a migration of national talent towards foreign aid programs and can hinder the accountability process.

The nature of the donor delivery system in the oPt has implied the heavy presence of PIUs in the Palestinian society. In this regard, it can be generally assumed that parallel PIUs were largely present in the oPt during the Oslo accord process. Also, during the second intifada and Hamas rule of 2000 and 2006, PIUs were heavily utilized in order to deliver the largely humanitarian short term oriented aid. The presence of data to support this claim remains largely unattainable.

In contrast, in 2010, 27 parallel PIUs were registered with the Palestinian government (MOPAD, 2012). It's important to note that according to the MOPAD donors remain rather heavily dependent on PIUs. Qualitatively, the donor community has been implementing their projects through PIUs since the establishment of the Palestinian National Authority (Shawwa, 2013).

Providing more predictable aid, in order for aid to be effective, its predictability is essential. Aid recipient countries assign their resources towards serving their national interests. In the Palestinian context, the PNA is heavily dependent on the international aid disbursements, and the lack of the predictability of this aid results in the mismatch between planning and resource allocation. The Paris Declaration asks on the donor countries to provide consistent commitments of aid over a multi-year framework in a timely and predictable manner.

According to the MOPAD (2012), the projected support to the recurrent expenditure segment of the PNA's annual budget is allocated on a need-to-need principle. On the other hand, the projected aid flows to development expenditures are based on previous disbursements.

Expected support to recurrent expenditure is budgeted on a needs basis, while expected support to development expenditure is based on a projection of previous flows. The PNA have never considered aid as an ex-ante element of the budget since its inception. For example, the MOPAD predicted that USD \$1.9 billion would be allocated to the Palestinian government sectors. However, only USD \$1.2 billion were disbursed and the government had to readjust the annual budget accordingly which caused public servants salary shortages in 2010 (Shawwa, 2013).

To further elaborate on the other political eras, it is important to state that aid projections are estimated through major donor conferences that have occurred continually since 1993. The MOPAD claims that aid levels in general to the government sector have been reliable since late 2007. This can be attributed to political factors that have been discussed in earlier chapters. The Hamas era resulted in serious shortages in the government sector flow of ODA as the donor community refused to financially deal with the newly elected government.

During the Oslo accord era, aid was more politically motivated in order to build and strengthen the Palestinian institutions and leadership. This was combined to a political price tag of the continuation of the peace process appeal with the Israelis as well as the active involvement in the suppression of Palestinian resistance to the occupation. The donor community actively anticipated the importance of the viability of the Palestinian state and thus committed large sums of aid that were disbursed through government sector allocations as well other channels. The predictability of aid disbursement was relatively better than in the Intifada era. The ideological principle on which the donor community based its flow of aid had fallen. Violence had escalated and aid was used as a tool for rapid humanitarian assistance relief as well as non-consistent disbursements of budgetary support to prevent the collapse of the PNA.

Untying aid, according to the OECD (2011b) aid is considered to be tied when there are restrictions on the receiving country's ability to allocate the financial assistance received freely. In tied aid cases, the purchasing of goods and services with donated funds are to be done through specific channels. Tied aid can hinder the capacity building process of the receiving country through the elimination of free competition as well as the misallocation of much needed resources.

The case of untying aid is significantly strong in the Palestinian context. In a 2005 survey conducted by the MOPAD, 68 percent of aid was reported to be untied, with most countries reporting a 100 percent score. The United States had its aid untied by 47

percent in 2005. The 2010 MOPAD survey indicates that 78 percent of aid has been untied in the oPt. Most of donors have untied their aid by 100 percent with the exception of the United States which has 60 percent untied and other few OECD members (MOPAD, 2012).

The information available for the Oslo accord era doesn't reflect the reality of tied aid. The central focus during that era was to promote the peace process and allocate resources towards the establishment and viability of the Palestinian government. Under these circumstances, the untied aid was not a priority for the donor community. Moreover, the Intifada and Hamas eras shared similar approaches towards aid disbursements.

**Table 4: Percentage of Untied Aid**

Donor	2005	2007	2011
Australia	100%	100%	100%
Austria	100%	100%	100%
Belgium	100%	100%	100%
Canada	66%	91%	100%
Denmark	-	100%	100%
Finland	100%	100%	100%
France	30%	93%	100%
Germany	52%	100%	100%
Greece	100%	0%	97%
Ireland	100%	100%	100%
Italy	2%	49%	73%
Japan	100%	100%	100%

Korea	-	0%	75%
Luxembourg	100%	100%	100%
Netherlands	97%	100%	100%
New Zealand	97%	100%	100%
Norway	100%	100%	100%
Portugal	100%	100%	100%
Spain	85%	64%	79%
Sweden	100%	100%	100%
Switzerland	100%	97%	100%
United Kingdom	100%	100%	100%
United States	47%	63%	60%
Total	68%	87%	78%

Source: MOPAD

### 5.2.3. Harmonization:

The inadequate coordination of aid disbursements can lead to the lowering of the effectiveness of aid as well mounting unnecessary costs that further hinder the effectiveness of that aid. From the recipient country's perspective; lack of coordination can strain the already fragile coordination and management systems. However, the Harmonization principle of the Paris Declaration focuses on the donor coordination aspect of aid effectiveness. Practically, according to the Harmonization principle, donors are to abridge, coordinate, and share information to increase the effectiveness of their donations and avoid project duplications. The increased coordination can also reduce bureaucratic and implementation costs for the donors. According to the OECD (2011b), donors agreed in 2005 to flow at least two-thirds of their donations through a

program-based approach that takes into account the local systems and increases coordination.

Using common arrangements according to the OECD, project-based approaches are an efficient mechanism to harmonize development aid. Using this approach, donors agree to utilize unified provisions of implementation mechanisms that are prioritized by the receiving country. The Paris Declaration's goal is clear with an estimated two-thirds of projects having to be channelled through program-based approach mechanisms (OECD, 2011b).

According to the MOPAD; a survey was conducted in 2010 to indicate the degree of which this indicator is being implemented in Palestine. Similar information can't be obtained for previous years, nor can they be provided for the political eras of the Oslo Accords, Intifada and Hamas's elections (Shawwa, 2013). According to the MOPAD survey, 57 percent of aid was channelled through program based approaches. In 2010, the United States and World Bank provided approximately \$500 million in budgetary support. Moreover, around \$380 million were allocated through other program based approaches. The total percentage falls short of the 66 percent the Paris Declaration indicates for satisfying this indicator (MOPAD, 2011).

In the Palestinian context, the project based approach mechanism implemented in Palestine consists of the European Union PEGASE mechanism and a general fund for

Government Local Units. In addition, the United States and the World Bank are regular budgetary supporters of the Palestinian government.

**Table 5: Percentage of Program Based Aid**

Donor	2010	Donor	2010
Australia	0%	Japan	0%
Austria	0%	Korea	0%
Belgium	0%	Netherlands	8%
Canada	0%	Norway	16%
Czech Republic	0%	Poland	0%
Denmark	18%	Spain	68%
EU Institutions	92%	Sweden	53%
Finland	48%	Switzerland	28%
France	60%	Turkey	0%
Germany	13%	United Kingdom	4%
IFAD	0%	United Nations	11%
Ireland	45%	United States	55%
Italy	39%	World Bank	80%
Total			57%

Source: MOPAD (2013)

The OECD (2011B) states that aid receiving countries constantly complain about the overly demanding bureaucratic procedures of the donor agencies and countries. According to OECD (2011b), donors ought to conduct fewer missions, coordinate missions with local governments and other donors, and increase joint missions. Moreover, coordinated analytical work is crucial for effective development programs and policies. The OECD considers analytical work to encompass survey evaluations, research papers, discussions and sector studies and strategy research. The Paris

Declaration indicates that donors have the accountability to conduct joint analytic work aligned with their commitments in the recipient country. The benefits of the analytic work include reducing transaction costs for the recipient country, preventing aid and project duplications and enhancing common donor objectives.

**Table 6: Percentage of Aid to Government Sector Uses Country Systems**

Donor	Coordinated Donor Missions	Coordinated Analytic Work
Australia	0%	0%
Austria	0%	100%
Belgium	0%	100%
Canada	0%	50%
Czech Republic	0%	-
Denmark	40%	100%
EU Institutions	45%	87%
Finland	20%	-
France	6%	29%
Germany	50%	100%
IFAD	75%	100%
Ireland	-	-
Italy	0%	29%
Japan	0%	-
Korea	0%	0%
Netherlands	0%	83%
Norway	50%	0%
Poland	-	-
Spain	0%	0%
Sweden	0%	-
Switzerland	0%	0%
Turkey	-	-
United Kingdom	-	-
United Nations	12%	78%
United States	0%	100%

World Bank	2%	0%
Total	8%	38%

Source: MOPAD (2013)

The Paris declaration indicator for shared analysis has two components; coordinated donor missions and coordinated analytic work. The coordinated donor mission's indicator focuses on the share of donor missions conducted jointly by two or more donors. As per the coordinated analytic work indicator; it measures the share of analytic reports conducted by two or more donors from the total number of reports undertaken (OECD, 2011).

In Palestine, 278 missions were reported to the MOPAD survey in 2010, only 8 percent of those missions were conducted jointly by two or more donors (MOPAD, 2012). The Paris Declarations 2010 target is 40 percent. The failure at achieving a higher joint mission's rate can be attributed to the high fragmentation of aid in the Palestinian context. Uncoordinated and sole donor missions hinder the recipient country government's ability to allocate resources efficiently and strategically implement aid projects (Shawwa, 2013). Moreover, transaction costs to the Palestinian government further hinder the effectiveness of aid. In the Palestinian context, MOPAD suggests donor blocks to undertake joint missions on a sectoral level (MOPAD, 2012).

The Paris Declaration appoints two-thirds of the conducted analytical work to be jointly carried out (OECD, 2011b). The 2010 MOPAD survey depicts the failure to

conduct joint analytical work among donors and collectively with the Palestinian government as well. The survey indicates that only 38 percent of the total coordinated donor analytic work was jointly conducted by the donor community in 2010 (MOPAD, 2012).

These aid effectiveness indicators reflect the reality of the uncoordinated and disperse aid disbursements by the donor community. This is also due to the problem of aid fragmentation that is extremely popular in the Palestinian context (OECD, 2011a). This fragmentation has represented the reality of the situation since the inception of the Palestinian government and the wide mismatch between commitments and disbursements, as well as the highly politically manipulated financial support. The fragmentation stretches back to the Oslo era as the existing joint donor mechanisms were established at the inception of the Palestinian National Authority. The Ad-hoc lesion committee has been undertaking the role of joint coordination of donations to the Palestinians since 1993. It's safe to assume that the incapability of the AHLC to effectively satisfy the minimum requirements of the Paris Declaration goals for the shared analysis indicators has been the norm in the Palestinian context since 1994.

#### **5.2.4. Managing For Results**

At the core of this principle, aid donors are to implement aid projects in a manner that emphasizes prioritized results and utilizes information about impacts of projects to enhance aid effectiveness. In the Palestinian context, the MOPAD has demonstrated

serious steps towards improving the implementation of this indicator. In this regard, the MOPAD has launched the Development Assistance and Reform Platform (DARP) to evaluate projects implemented in the Palestinian territories from the donor's perspective.

According to the OECD (2011b), recipient countries ought to provide results-oriented frameworks. The assessment for this indicator is derived from the existence of "Results-Based National Development Strategies" which can be determined through three criteria that include the accessibility of information for stakeholders, quality of development data and a coordinated monitoring and evaluation system.

In the Palestinian context; the evaluation of such mechanisms must be directly linked to the ability of the PNA to address issues effectively. For instance, the lack of ownership and alignment visions from existing aid practices to the Palestinians heavily affects the effectiveness of this indicator. That being said, there has been a move from the PNA, since the Fayyad era, to increase the managing by results indicator and evaluation systems.

In 2010, the oPt was awarded a score of B towards the achievement of this target (MOPAD, 2012). The PNA meets the Paris Declaration target of for this results oriented framework. The MOPAD has created a monitoring tracking the progress of the National Development and Reform Plan. Moreover, it has aligned its goals with the

experience of the Palestinian Central Bureau of Statistics in creating a monitoring and evaluation framework system for the consistent and quarterly reporting on the progress of the 2011-2013 National Development Plan (MOPAD, 2013).

The PNA and the World Bank contemplated the first Palestinian development plan under the name of the Palestinian Development and Reform Plan (PDRP), in December 2007 (World Bank, 2012). Furthermore, the PNA has composed the Palestinian National Development Plan 2011-2013. The late formulation of the development plan in the Palestinian context prevents the investigation of the effectiveness of this indicator for the previous political periods. It is clear that the donor community implemented its own agenda in the oPt since the inception of the PNA. Financing their perspective of maintaining the peace process that has not effectively resulted in any significant political nor economic independence for the Palestinians (World Bank, 2013).

#### **5.2.5. Mutuality Accountability**

The OECD (2011b) emphasizes the importance of strong and balanced accountability mechanisms in achieving effective aid. Generally speaking, this is to be implemented through joint assessments between donors and recipient countries. Moreover, it is to be carried out through existing country mechanisms that evaluate and monitor agreed upon commitments and development strategies. The Paris Declaration values the role

of the developing nations in establishing their own developmental targets and creating effective monitoring systems for tracking progress.

The MOPAD (2012) admits in its survey that his target has not been met by the PNA and its donor partners. Although, significant progress has been channelled towards achieving this goal, the heart of the matters is that most aid neither aligns nor takes into account the priorities of the Palestinian people at heart.

To efficiently achieve progress towards the mutual accountability indicator, political and economic factors must be taken into account. The Palestinian division since 2007 further depreciates the chances for the success of this indicator (World Bank 2013). In addition, the mutual accountability component of the donor community since 1994 has been nonexistent and lacks consistency through the politically motivated aid disbursements. For instance, the Palestinian government had a deficit of \$300 million in donor disbursements leading to the incapability of the PNA to cover its recurrent expenditures (Ibrahim & Beaudet, 2012). This was also true during the Oslo Peace process; as the donor community had prioritized supporting a strong central government to maintain security and order in the Palestinian communities. On the other hand, the Palestinian priorities had always been ending the occupation and creating a viable Palestinian state, capable of economically sustaining its existence.

## **POLITICIZATION OF AID**

### **6.1. International Donor Community**

In 2005, the AHLC redesigned its aid coordination structure to enhance aid effectiveness in the oPt based on the recommendations of the Paris Declaration principles. The Local Development Forum was formed to serve as a catalyst for the AHLC and local level aid coordination. The MOPAD, Norway, the World Bank and the United Nations Special Coordinator Office co-chair the LDF. Generally speaking, the Local Aid Coordination Secretariat of the AHLC bases its practical decision making on the LDF and takes the lead in the aid coordination system in the oPt (PNGO, 2012). In reality, this system has been vain in its delivery mechanisms. The Palestinian Non Governmental Organization network (2012) has expressed its concern about the lack of accountability and transparency of aid practices and the donor community's donor policies through these existing mechanisms. The PNGO (2012) network has pointed to the importance of accommodating the professional Palestinian institutions in the process making and aid coordination agenda set by the LDF. Moreover, the documents and reports of the AHLC and LDF have been unavailable for Palestinian stakeholders and they are not distributed efficiently among the donor community (PNGO, 2012). This is a brief representation of the constant state of mistrust between the Palestinian civil society and the donor community. The local non-governmental Palestinian actors complain about the donor community's approach towards ownership and alignment principles in the Palestinian context.

Ibrahim & Beaudet (2012) add that donor funded programs are evaluated and implemented based on their alignment to the strategic priorities of the donors' rather than to the Palestinian people. According to the ANAN, also known as the Coalition for the Accountability and Integrity, only 40 percent of the total number of foreign organizations operating in Palestine is registered by the PNA (ANAN, 2010). This is due to the fact that all USAID agencies and subsidiaries in the oPt are exempted from registration with the PNA (AMAN, 2010). Consequently the USAID and other partners in the donor community develop their aid programs independently from the MOPAD without any oversight from the Palestinian side. Moreover, the budgets and evaluations are never submitted to the Palestinian Interior nor National Economy ministries. (Tartir, 2011)

Many donors, the United States in particular, don't consider that the essence of the aid ineffectiveness situation in the oPt is due to the illegal Israeli occupation. The United States, which is one of the largest donors, assumes that a collection of economic and social governance problems constitute the major challenge for aid effectiveness in Palestine (Khalidi & Samour, 2011). It is imperative for donor and recipient governments to align their definition of the local situation in order to create a functioning ownership platform that serves the effectiveness of foreign assistance in Palestine. Moreover, due to the heavy dependency of the Palestinians on foreign aid; a deep bureaucratic system has been in formulation since 1994. In reality, the Palestinian

ownership paradigm of aligning their national interests and priorities along the donor's interests doesn't exist.

From a technical perspective, the ownership principle was more relevant in the Palestinian context during the Oslo and Fayyad political eras. This is due to the higher level of coordination between the donor community and the local governments; which is actually a result of the political alignment of these governments with the interests of the donor community, not the other way around. In contrast, the donor community had little or no interaction with the Palestinian governments during the Intifada and Hamas political eras.

The United Nations Conference on Trade and Development report (2011) on the assistance to the Palestinian people called for the non-distorting of aid policies and strategies between the donor community and the PNA. Although since 2007 there has been a development and reform plan in the oPt, it doesn't not necessarily meet the Palestinian's people vision of an independent sovereign political statehood with a viable economic system. UNCTAD (2011) calls for the abandonment of the asymmetrical donor culture at the oPt that supports only donor aligning strategies and policies.

The deep rooted dependency on aid by the PNA and the Palestinian economy has resulted in a large number of foreign and local contractors solely aligned to the strategies and policies of the donors (Devoir & Tartir, 2009). This is specifically

apparent with the USAID and JICA projects, both of which are the largest donor communities next to the European Commission, where the funds are specifically channelled through a pre-coordinated group of contractors and consultants.

The donor community's propagation in Palestine since 1994 has resulted in extreme confusion, not only between donors but also among the Palestinian decision makers. There are more than 60 donor agencies and organizations that actively disburse aid to the Palestinians (PNA, 2007). Moreover, the PNA's Reform and Development Plan also blames the donor community for distributing aid through specified private beneficiaries and entities that had already been decided.

Furthermore, another aspect of aid politicization in the Palestinian context is the high levels of aid fragmentation to the PNA. The global aid fragmentation ratio is estimated at 40 percent (OECD, 2011a). In the Palestinian context, the OECD (2011a) assessed the fragmentation of 31 major donor's aid disbursements and calculated the aid fragmentation ratio at 52 percent. There are few entities in the world with similar aid dependency levels as the PNA that have an aid fragmentation ratio that high. Aid fragmentation increases costs accompanied by the disbursement and delivery of aid. Moreover, it obstructs a developing county's ability to effectively deliver aid projects in a timely and manageable manner (OECD, 2011a). According to OECD (2011a) aid fragmentation can also increase donor's risk of duplicating aid projects as well as hindering the efficiency of allocating aid disbursements.

## **6.2. The Palestinian National Authority**

The reality of the political situation in the oPt has constituted that the PNA is actually one of the most aid dependent political entities in the world (OXFAM, 2008). In this context, the quantity of aid delivered to the Palestinians is imperative in maintaining the economical and political existence of a Palestinian political entity in the future (Donais, 2008). This sobering reality has been consistent since the establishment of the PNA in 1993. The donor community envisioned the establishment of long term developmental projects; however, the financial crisis of the PNA after less than one year of its establishment constituted a shift in the modality of aid (Donais, 2008). In this regard, the humanitarian relief assistance was first adopted in the Palestinian context to maintain the PNA. By 1996, the donor community was further obliged to shift to humanitarian emergency assistance to the Palestinian amid the severe financial crisis the oPt experienced. It is estimated that during the first two years of the PNA's existence more than \$600 million (half of ODA) were disbursed for short-term projects without long term development objectives. This trend continued during the Intifada and Hamas political eras (Fischer, Gamo & Allmen, 2001).

The prompt response of the donor community to the Palestinians plight for financial assistance has always been politically motivated. The PNA has served as a client for the major donors, with its core functions revolving around assuming legal and civil administration duties over the dense Palestinian population centers in the West Bank and Gaza and maintaining the security of the State of Israel (Amundsen, Giacaman

&Khan, 2004). The entire PNA political system has been built and maintained by the donor community. This assumption is particularly true during the Oslo and Fayyadism political eras.

Since 2007, the two main distinct geographic entities that constitute the oPt were politically divided after the Hamas-Fatah confrontations. The result is a further fragmentation of the Palestinian societal, political and economic fabric; the result: two separate and politically hostile entities representing the Palestinian people. From the donor's point of view, the Hamas government was a hostile entity and the way forward was to coordinate and foster the Palestinian government in the West Bank. The entire system of foreign aid was transformed or suspended to manoeuvre around the direct involvement with the Hamas government in Gaza. Temporary international mechanisms were introduced and funds were being channelled through the UN and other alternatives to avoid the Hamas administration of Gaza.

This new reality prompted the donor community to adopt alternative approaches and remodel their funding. According to United Nations Office for the Coordination of Humanitarian Affairs (OCHA) (2009) the donor community switched their mechanisms to emergency humanitarian aid in response to the deterioration in socioeconomic conditions in the Gaza Strip. It is estimated that 61 percent of Gaza's population are food insecure (OCHA, 2009). As previously illustrated, the political division also resulted in deep economic and social divisions between the West Bank

and Gaza. The in-proportionate growth of the West Bank per capita GDP compared to that of the Gaza Strip became evident.

The European Commission Technical Assistance Office illustrates that humanitarian aid to the Gaza Strip had increased from 16 percent to 56 percent of total European Union aid directed towards Palestinians (BBC, 2006). This adaptation to the new situation prevented a full scale humanitarian catastrophe in the Gaza Strip. At the same time, the Hamas administration was incapable of neither paying for public servants salaries nor maintaining basic public services.

The international donor community admits the fragility of the situation. The World Bank repeatedly calls for a political settlement for the situation as an only mean to reduce dependency on humanitarian assistance as the current situation is unsustainable (World Bank, 2002). Moreover, aid has contributed in a deepening of the Palestinian political division. Donors have consistently empowered a Palestinian faction at the expense of other representatives of the Palestinian society (Ibrahim & Beaudet, 2012). For instance, the donor community in the 1990's were concerned with creating a solid political composition able of maintaining the security of the oPt and limiting the internal Palestinian opposition to the Oslo peace process (Keating, Le More & Lowe, 2005). Consequently, an authoritarian undemocratic system emerged in the oPt between 1994-2000. State resources were used to secure the loyalty of a large segment

of society through public service hiring as well as repressing the political opponents of the emerging system (Keating, Le More & Lowe, 2005).

It is virtually impossible for the donor community to assume aid effectiveness in the Palestinian context knowingly admitting to the fragmentation of the political and geographic entities. Aid effectiveness requires ownership and alignment of objectives and goals between the donor community and the receiving entities. That clearly doesn't exist in the Palestinian context. The Palestinian economy is a disintegrated collection of economic clusters crippled by extreme Israeli limitations on market access and freedom of movement of goods and services as well as Palestinians. ODA has aided in suppressing some of the aspects of this closure system, but in reality the national interests of the Palestinians are not limited to sustaining the status quo (Nakhleh, 2004). Rather, an effective developmental plan would include the defragmentation of the political and geographic aspects of the Palestinian society.

In the midst of these political dynamics; the donor community has expressed its commitments for the empowerment of the West Bank political leadership. The Palestinian Reform and Development Plan and the Palestine Development Plan represent the PNA's attempt to comply with the Paris Declaration aid effectiveness goals. In reality, the PRDP and PDP are detached from the reality of the fragmented situation of the oPt. Aid has been channelled through these visions since 2007; however there are major shortcomings that cannot be bypassed in order to maximize

the effectiveness of aid. As Le More (2008) suggests; the financial aid towards these developmental plans extending back to the Oslo era has been a substitution for the failure of the political process between the Palestinians and Israelis.

Therefore, the PNA has attempted to utilize the influx of ODA into the formulation of its popularity through the popular programs and donor funded projects. The politicization of ODA has also gone on long under these policies. The social infrastructure for the Palestinians has received the highest percentage of investment by the donor community. A general look into net ODA received between 2006 and 2010 reveals that 26 percent of ODA was allocated for the social infrastructure sector in the oPt (Global Humanitarian Assistance, 2013). The social infrastructure sector encompasses a wide range of social services that directly impact the local population's ability to experience the immediate effects of these disbursements. As many scholars suggested, the politicization of ODA has stretched further to be utilized by one Palestinian faction over the other.

In a nutshell, the politicization of ODA by the PNA can be summed into two categories. The first category deals with the utilization of ODA for factional political leverage over other Palestinian factions. This politicization has existed since the inception of the PNA. As previously emphasized; ODA was heavily utilized between 1994 and 2000 for the formation of an authoritarian undemocratic system that persecuted political rivals (Keating, Le More & Lowe, 2005). The scenario is similar to the post 2007 era in the

WB; where a similar political system exists and several authors refer to the undemocratic system that utilizes ODA to secure the loyalty of a large segment of society through public service hiring and social infrastructure spending.

The second category can be summed up as the utilization of ODA by the PNA for the achievement of Palestinian national interests. This can be summoned towards the use of ODA for state building and capacity formulation in the West Bank since 2007. Moreover, ODA budgetary support played a major role in the infrastructure building and institution formulation in the West Bank since 2007. The budgetary support segment of ODA received represents 10 percent out of the more than \$10 Billion awarded in ODA between 2006 and 2010 (Global Humanitarian Assistance, 2013). This budgetary support in addition to being utilized for public service hiring, its being utilized for the national political agenda of the PNA towards the declaration of the State of Palestine.

### **6.3. Israeli Politicization**

This research explores beyond the obstructive nature of the Israeli occupation to the Palestinian state. However, it is extremely important to mention the impact of the occupation on the socioeconomic fabric of the Palestinian society and how Israel has been successful at politicizing ODA towards achieving its national priorities.

The West Bank is fragmented into enclaves with a regime of movement and restrictions. This situation is due in large part to the 1995 Oslo Accords which created three distinct zones-Areas A, B, and C- with different security and administrative arrangements and authorities. 'Area A' corresponds to all major population centers where the PNA has full responsibility for both civilian and security matters. 'Area B' encompasses most rural centers, in which the PA is responsible for civilian affairs, with security under joint PNA and Israeli military responsibility. Each enclave, whether Area A or B or a combination of both is surrounded by 'Area C', which covers the remaining area of the West Bank. 'Area C' is under full control of the Israeli military for both security and civilian affairs (OCHA, 2011).

According to OCHA (2011) most of Area C has been administered in favour of Israeli settlements, which receive privileged treatment at the expense of the local Palestinian communities. Such privileges include construction and law enforcement. This stand encompasses the fact that Israel has repeatedly destroyed donor funded projects in the oPt. Around 245 donor-funded structures have been demolished by the Israeli Defense forces since 2011 (OCHA, 2013).

Furthermore, the West Bank is divided into isolated islands of land that are rigidly controlled by a restrictive access and movement web of Israeli checkpoints and movement barriers. According to OCHA (2011) there is more than 500 permanent

Israeli checkpoints and movement barrier in the West Bank. In addition, there always lies the possibility for “flying checkpoints” that can last hours or days at a time.

The separation barrier represents another means of restrictive movements for Palestinians. The Israeli human rights organization B’Tselem (2013) indicates that 8.5 percent of the total West Bank area has been annexed by the Israeli barrier and an additional 4 percent has been annexed. The barrier cuts through Palestinian communities and separates farm land as well as entire communities from their access to facilities and markets (Applied Research Institute-Jerusalem, 2011).

One of the main reasons for the existing fragmentation system of the West Bank is to facilitate the continuity of the Israeli settlement system. The number of Israeli settlers in the West Bank has exploded since the start of the Oslo peace process. According to the Palestinian Central Bureau of Statistics (2013) the number of Israeli settlers has risen from around 270,000 settlers to more than 535,000 settlers by 2011. Palestinians consider Israeli settlements as a major obstacle for any future peaceful settlement. According to OCHA (2011) there are 140 Israeli settlements scattered across the West Bank. Settlements further geographically fragment Palestinian communities due to the complex system of bypass settler only roads that exist to facilitate their movement. According to B’Tselem (2013) almost 40 percent of settlements are built on Palestinian privately owned lands that had been confiscated by Israel.

Friedrich & Luethold (2008) add that the core concern of the donors repeated peace plans and donor funding has been directed towards increasing the security of Israel while ignoring the national interests of the Palestinians. Le More (2008) criticizes the donor community's role in the financing the PNA's inception into a fleeting establishment, sparsely exercising control over non-adjacent populating centers. The PNA has no border identity, nor does it have control over access to its resources and security, foreign and internal policies. Moreover, the PNA doesn't have an independent monetary or fiscal policies and its economy is mostly dependent on the access and movement restrictions imposed by the Israeli defence forces and trade barriers (Barghouti, 2010).

In this context, the Israelis has been able to politicize the influx of ODA towards the maintenance of the existing status quo in the oPt since 1994. Moreover, the increase in ODA flows since 2007 have further resulted in the increased dependency of the Palestinian economy on the much larger Israeli economy. In the meanwhile, the national priorities of Israel represented by the expansion of settlements have continued to exist.

## CONCLUSION

As extensively discussed in this research; perhaps there isn't a political entity in the world as dependent on foreign aid as the PNA. This dependency has been deeply rooted within the Palestinian political structure since the inception of the PNA in 1993. In reality the AHLC has failed at its mandate of coordinating and assessing the flow of ODA from the donor community to their Palestinian correspondents.

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 PNA on ODA flows amid this violently transformative political environment has further crippled the possibility of a politically and economically sovereign Palestinian state. In short, the analysis of the ODA flows to the PNA since its inception in 1993 indicates that ODA has been highly political and in the service of the foreign political agendas with slight reflection on the local population's priorities and aspirations.

When evaluating the ODA effectiveness contemplating a theoretical frame work based on the Paris Declaration principles of Ownership, Alignment, Harmonization, Managing by Results, and Mutual Accountability. The facts on the ground of highly politically motivated aid disbursements, aid fragmentation practices, and the geographical and political fragmentation of Palestinian society play a major role in

hindering any realistic effectiveness of the large sums of ODA. The stalemate of these overarching factors has been applicable during all capricious political environments the oPt has witnessed since 1994.

The effectiveness of the Paris Declaration indicators vary based on the political system existing at the time. For instance, the effectiveness of ODA increased during the Fayyadism era when compared to the previous political systems. This is due in large to the better coordination environment between the donor community and the PNA. It is imperative; however, to take into consideration that the PNA political agenda was most aligned with the donor community's during this era. Moreover, the Gaza Strip was completely marginalized and lacked any viable funding channels for development due to non-aligning political position.

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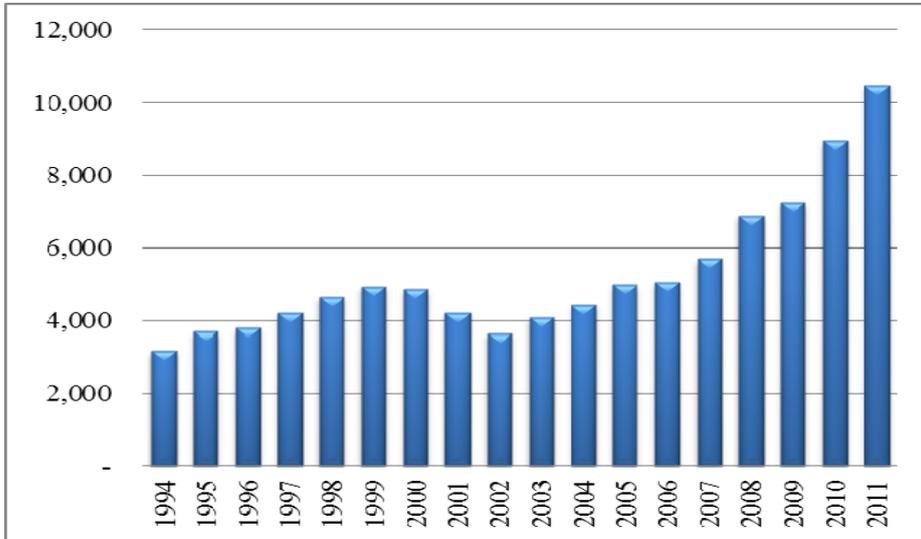
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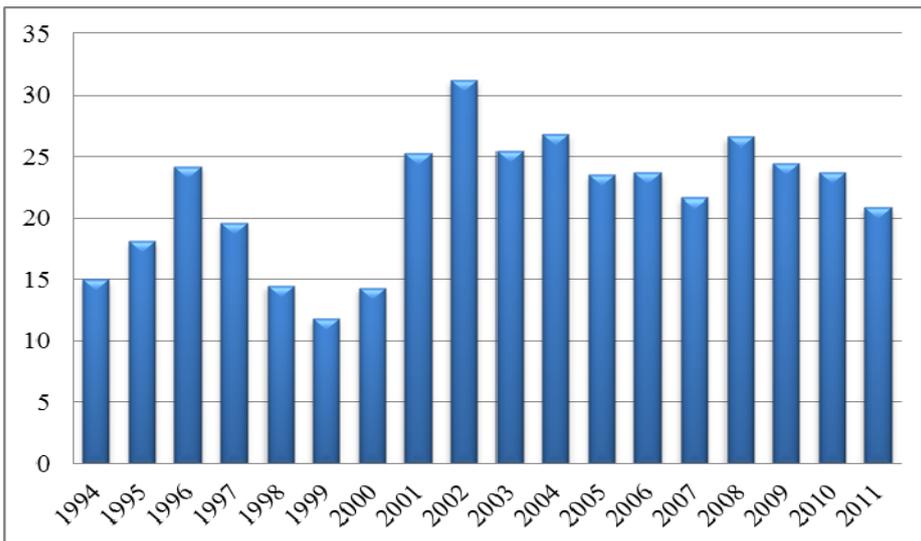
## APPENDIX

**Figure 1: Palestine Unemployment Rate**



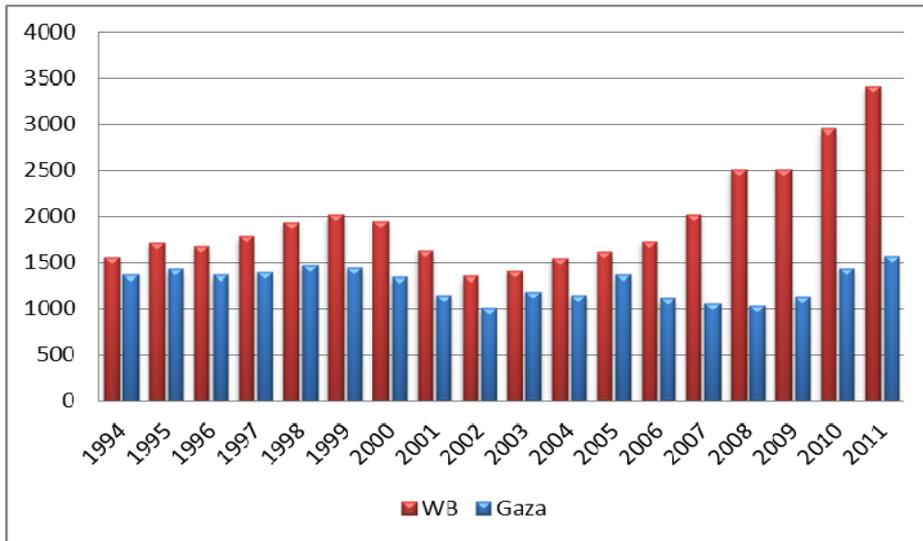
Source: PCBS

**Figure 2: Palestine Gross National Income**



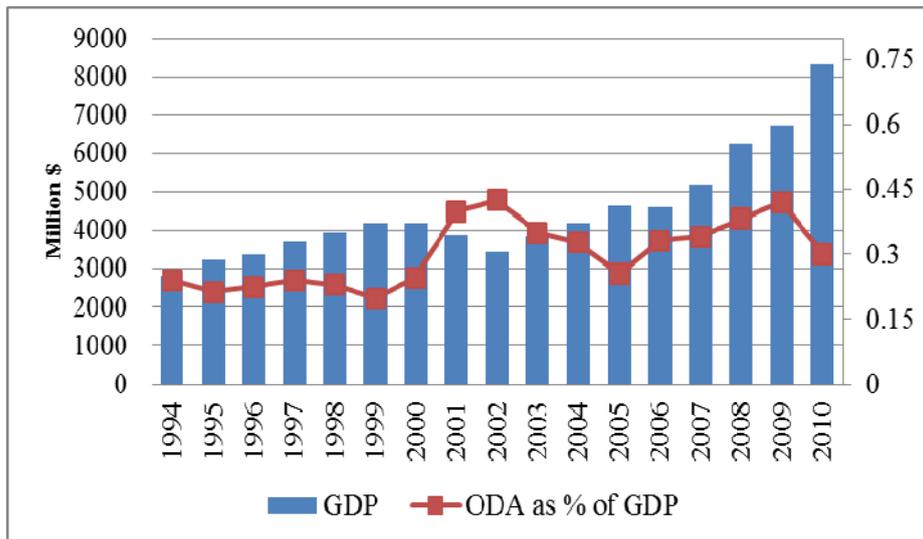
Source: PCBS

**Figure 3: Palestine Per Capita Gross National Income**



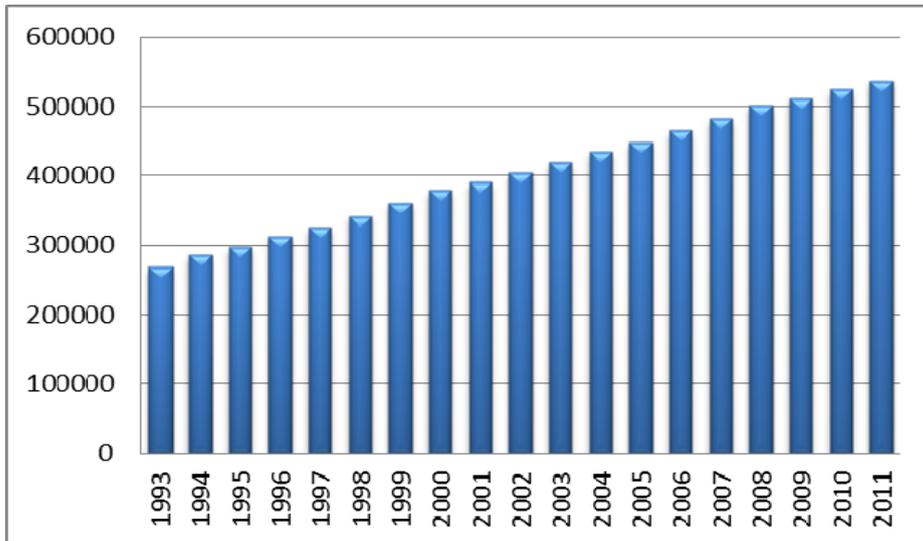
Source: PCBS

**Figure 4: ODA as Percentage of Palestine GDP**



Source: PCBS & World Bank

**Figure 5: Israeli Settlers in the West Bank**



Source: PCBS

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