AID AND DEVELOPMENT IN PALESTINE: ANYTHING, BUT LINEAR RELATIONSHIP.

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Can Aid Contribute to Development?

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“Receiving aid is not just like receiving an elephant but like making love to an elephant; there is no pleasure in it, you run the risk of being crushed and it takes years before you see the results. Aid is twice cursed: it curses him who gives and him who receives” (Streeten 1976).

1- Introduction: Contextualizing Aid

The role of international aid in promoting sustainable socio-economic development is highly controversial and one of the most contested issues in the international development arena. Attempting to draw a linear relationship between aid and development will not only be puzzling and misleading, but also will be ‘akin to trying to locate the end of the rainbow’ as the above quotation aims to illustrate (Riddell 1987, 2007; Easterly 2002, 2003, 2006). Within the calls for ‘re-inventing foreign aid’ (Easterly 2008) and moving beyond the ‘Newtonian modes of analysis’ (Uphoff 1992), the international experiences and the existing global scholarly literature revealed that aid as a determinant of development and economic growth is under scrutiny; which resulted in the emergence of three different perspectives (c.f. Stern 2002; Sachs 2005; Tarp 2006; Collier 2008; Moyo 2009). The first perspective argues that aid has no effect/undermines development and growth (c.f. Mosley et al. 1987; Rajan and Subramanian 2008); while the second perspective argues that a positive relationship between aid and development exists however, with diminishing returns with or without qualifications (c.f. Hansen and Tarp 2000, 2001; Durbarr 2004; Dalgarrd et al. 2004); while the third perspective which became the conventional wisdom among donors argues that aid works best or only works with the presence of certain conditions, such as good fiscal, monetary, and trade policies, i.e. the Post-Washington Consensus prescriptions (c.f. World Bank 1998; 2002; Burnside and Dollar 2000; Collier and Dollar 2002).

However, this relationship is particularly problematic in the Palestinian context; noticing the limited successes, harmful effects, limitations, and failures of the aid over the last two decades. And also noticing the contextualized difference where an aid-under-occupation dilemma does exist; aid is highly politicized and aims to sustain a trapped peace process; and this aid is also administrated by an authority that lacks both the de jure and the de facto sovereignty. The puzzling question is why despite the unprecedented levels of international aid poured to the Palestinian economy; however the ordinary citizens still lack the very basic security and economic rights; the individual socio-economic and security conditions are hardly enhanced
and remain dismal; and the sustainable development indicators are almost absent and the Senian development remain elusive? Why Palestinians despite they receive one of the highest levels of aid per capita in the world, and while international aid increased by seventeen-fold between 1993 and 2009, and the amounts received with the emergence of Fayyadism in the last few years exceed the total amount of aid received between 1994 and 2005, still cannot enjoy the aid dividends? International aid disbursements to Palestinians totalled around US$ 20.4 billion between 1993 and 2011, averaging US$ 317 per capita annually. The total commitments totalled around US$19 billion. Aid inflows increased from an annual average of US$614 million between 1993 and 2003, to over US$1.7 billion since 2004. To illustrate the intensity of aid, in 2008/9 which was the peak of aid disbursement, only Liberia and Timor-Leste had higher level of aid as percentage of GDP than Palestine, while its aid per capita ratio, put Palestine fifth after Mayotte, Palau, St.Kitts and St.Nevis and Marshall Islands. Aid as a percentage of GDP in the post-Arafat era ranged between 24% and 49%. The requested amounts of aid for the years 2011-13 are $4.8 billion according to the National Development Plan (Tartir 2011; DeVoir and Tartir 2009).

However, looking at the other side of the equation to examine what had happened at the socio-economic indicators reveal a gloomy picture despite the unprecedented levels of aid. Using the consumption-based definition of poverty, 26% of the Palestinians lived in poverty in 2009 and 2010 (19% in the West Bank, but 38% in Gaza). However, using the income-based definition of poverty, 50% of the Palestinians lived in poverty in 2009 and 2010 (38% in the West Bank, but 70% in Gaza). According to the World Food Programme (2011), 50% of Palestinian households were impacted by food insecurity (33% food-insecure, 17% vulnerable to food insecurity). Unemployment has remained at around 30% since 2009, with 47% in Gaza in 2010, compared to 20% in the West Bank. Unemployment rate for Palestinian youth under 30 is particularly alarming standing at 43%. The income and opportunities inequality gap continues to widen not only between the West Bank and Gaza, but also within the West Bank. Thinking of the gap between the city of Ramallah, the new Paris of the Middle East, with its bubbled economy and the Jenin refugee camp, southern Hebron, or even the villages outside Ramallah, not to mention areas C, can give a taste of the ‘new’ inequality phenomenon. The manufacturing and production capacities continue to erode, while the agriculture sector remains neglected. Public debt doubled, while the private debts, thanks to the easier credit facilities, expanded to extraordinary rates. Real income per capita needs a proper deconstruction noticing the unbearable increase in the cost of living and the consumer price index. At the macro level, the celebrated economic growth of 7.1% in 2008, 7.4% in 2009 and 9.3% in 2010, is a jobless growth, aid driven, with an eroded productive base (de-industrialization), non-Jerusalemite, anti-poor, and reflects an economy recovering from a low base (UNCTAD 2011; BISAN 2011; Bahour 2011; Khalidi 2011a,b; MAS 2012; Tartir 2012).

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1 Aid in absolute, per capita and as ratio of GDP terms can be found in the appendix.
2 This would have been 31% without the social assistance extended to Palestinian households (PCBS 2011).
Acknowledging that it is not the duty of aid to bring miraculous results for the above sample of indictors, however, as far as aid is concerned it is crucial not to dismiss the reality and facts on the ground. If the aid industry needs to be re-invented to bring tangible contribution to the development process in Palestine, it needs to go back to the very basics and realities. This includes for instance taking the estimations of the economic costs of occupation seriously. What does it mean for the aid industry that the total measurable cost of the Israeli occupation on the Palestinian economy was $6.897 billion, a staggering 84.9% of the total Palestinian GDP in 2010 (ARIJ 2011)? Or that the imports produced in a third country and re-exported to the territories as if they were produced in Israel (indirect imports) cause losses of $480 million USD per year - almost 25% of public revenues, 10% in lost gross domestic product and 30,000 jobs per year (UNCTAD 2011)? Or that 60% of the West Bank, classified as Area C under the Oslo Accords, is completely off limits to Palestinian development, which remains masked by the glowingly talk of economic growth, impressive institution building, and a booming stock market (Tartir et al. 2012)? Or that what really reach to the Palestinians of the total aid after the deductions of the donor’s administrative costs, foreign consultant’s fees and likewise, is far from the announced figures, since good portion (range between 30-45%) of that aid return back directly or indirectly to the donor’s countries or to the Israeli economy (UNCTAD 2003)? Or finally, does the Paris Declaration for Aid Effectiveness and it principles mean anything to the donor community or to the Palestinian Authority (PA)? Such questions if genuinely addressed can induce some tangible transformations in the impact of aid. However, if the current harmful PA-donors narrative and discourse remain dominant as a result of the ‘people-blind’ macro-economic measures and political propaganda that effectively normalizes the occupation (Abdelnour 2011), then the masking of realities will continue and aid will continue to be wasted, filling gaps, sustain the occupation and invest in the creation of a papier-mâché Palestinian state.

The above purposively selected illustrations and the highlighted questions meant to introduce the argument that a future aid fatigue can be avoidable if the donors-Palestinian Authority adopt a different development paradigm that first and foremost acknowledge the Palestinian rights. This is not to argue that aid was completely disastrous, in contrary, it achieved limited successes and sustained the status quo by serving as the oxygen of the Palestinian Authority and the Palestinian society. However, it is to argue that indeed it is the time now after two decades of aid intervention to bring real accountability to the aid industry and only accept aid that do no harm. The failure to induce a genuine transformations in the relationship between aid and development will only reinforce the analogy borrowed from Nathan Brown (2011) where the donors-Palestinian Authority within the pursued aid-development paradigm could not walk on the water, ‘but did an almost miraculous job of not drowning’. Therefore, this brief is puzzled by the question: How, if at all, can aid contribute to development in Palestine, and what will be the impacts on the viability of the Palestinian economy and state? In order to answer such complex question, this paper has one basic premise and two lines of argumentation. Its main basic premise is simple: the role of aid in the development process is
dependent in the first place on the adopted development paradigm and approach. While the first line of argumentation looks at the so-far impact of aid on development; the second line of argumentation tries to spell out few conditions and prerequisites so aid can work better in the Palestinian context.

2- Synthesizing/Problematizing the so-far Impact of International Aid

As any other evaluation exercise, analyzing the impact of aid in dependent on the used methodology, the set of assumed hypothesis and the tools to do so. Depending solely on a numeric and quantitative indicators that tell only a small part of the story such as the number of implemented projects, how many kilometers of roads were paved, how many families received social financial assistance, the rate of economic growth, and so on, can be indeed very problematic, misleading and surely insufficient. Should the fact that the number of families that receive financial assistance increase from 30,000 to 90,000 make us happy and believe that aid did a miraculous job? And can numerical successes serve as a liberation strategy? What can be the risk if the numeric and quantitative indicators became the whole story not only part of it, as the current Fayyadism paradigm is pushing for and implementing? The recent few years just reinforced this technical and context-lacking approach, however it became evident by now how naïve that can be and that building a state on a numerical basis is neither logical nor possible. In such quantitative understanding, it is undoubted that aid had created some positive short-term effects such as saving lives through providing salaries, food assistance, basic public goods and services and some infrastructure facilities. Is that enough by anyway to consider the case of Palestine a success aid story as some try to argue? In a way, it may be enough to remember that the Palestinian Authority is highly dependent, and consequently fragile, on aid; to conclude that any service provided by the Palestinian Authority was possible thanks to the aid. Hence, aid became extremely helpful, needed, favorable, requested and eventually successful. This can be illustrated perfectly by the relationship between aid and the induced transformation in the style of governance under Fayyadism and its ultimate impact on the lives of the people in the West Bank. However, such short term and limited successes, not only illustrate its fragility and the risk of its unsustainability, but also prove that aid had performed a good work as a gap filler and served as a fire extinguisher solution for persistent crisis (Nakhleh 2004, 2011); served as a major pillar to guarantee the mere existence of the PA, and rescued the Palestinian society from deeper deteriorating conditions. This role of aid in sustaining the status quo was an outcome for the diplomatic failure and political guilt; the inability to understand or acknowledge the de-development process; the unwillingness to address the main problem for such de-development (the occupation); and the adoption of an irrelevant post-conflict conceptual framework.

In turn, such failures resulted in a more complex relationship between aid and development. In the critical literature there is a consensus around two arguments concerning the impact of aid. Firstly, aid was accused of violating international law through sustaining and subsidizing the occupation and relieving Israel from its responsibilities as an occupying power (in other words, the aid-under-occupation dilemma), and also contributing directly and indirectly (particularly in
the post-Arafat era-Fayyadism) to the de-development process. In other words as summarized by the GSDRC (2010) ‘international aid has caused a variety of unintended negative consequences, which include legitimizing and facilitating Israel’s occupation and its unlawful actions against the Palestinian people, fostering division amongst Palestinian political parties, depoliticizing Palestinian civil society and the Palestinian cause, and creating a culture of dependency’ (CIDSE 2008, Wake 2008). Secondly, the critical literature also argued that ‘aid has been unable to foster sustainable development and that without addressing the fundamental barriers to development (Israeli blockades, military incursions and settlements); this will be difficult to achieve’ (UNCTAD 2009a,b, Turner 2009, 2011; Khalidi and Samour 2011; Barghouti 2012). Hence, the failure of the aid paradigm to understand and acknowledge the political construct of the Palestinian development challenges, neither resulted in better sustainable living conditions, nor made the viability of the Palestinian state or economy getting closer, arguably it reinforced the asymmetric containment and the subaltern economy statues and the involution of the Palestinian state materiality (Le More 2008; Taghdisi-Rad 2011).

3- How Can Aid Work Better in the Palestinian Context?³

As the above brief elaboration may have shown, much has been written about the problems of the aid industry in the oPt. However, there is a need to move beyond arguments that aid sustains the occupation and to devise political costs that create a real change. Palestinians must encourage the aid industry to stop wasting resources under the false pretenses of assistance and to help create a genuine economic steadfastness to end the occupation to bring better outcomes of aid and make aid works. Donors are aware of the issues but have little incentive to align general development policies with the reality of the Palestinian experience. This is partly due to the unwillingness of donor agencies to defy donor country political agendas, and partly to the global reality that aid policy is highly decoupled from genuine socioeconomic improvement. Added to this is the PA’s acquiescence to the status quo. However, it cannot be ignored that donor countries benefit greatly from the current configuration of the aid industry. This is particularly true of USAID and JICA, whose contractors and consultants consume so much of their own aid. In end, little aid reaches Palestinians; that which does signifies an immense political cost when it ignores inalienable rights to freedom, self-determination, and return.

Consequently, indeed aid can contribute to the development in Palestine, but few preconditions and prerequisites need to exist. This includes: understanding the development process as resistance, rights and freedom; adopt a politicized version of Senian development model; respect the self-determination and dignity in aid intervention paradigm; move from the apolitical technical development models that definitely do harm toward a paradigm that

³ This section is based to a large extent on the recent co-authored policy brief for Al-Shabaka entitled “Defeating Dependency, Creating a Resistance Economy”, February 2012. Extracts taken as appeared originally in the policy brief after taking permission and authorization.
acknowledges the colonial dominance and the asymmetry of power; bring politics back in to the aid industry and stop using aid as a smoke screen for political failures; support the resistance and steadfastness economy; and finally stop addressing the symptoms of the problem and move to address the root cause, the Israeli occupation. Indeed, operationalizing the above conditions remains challenging, particularly within the dominance of a mainstream development paradigm. However, small steps and suggestions toward changing the configuration of the aid industry can contribute to the enhancement of the role of aid in the Palestinian development. In Al-Shabaka policy brief that I referred to earlier, there was an additional attempt, along the other attempts by other scholars and research institutes, to spell out few suggestions toward defeating dependency and moving toward the creation of a resistance economy. In this brief, I also would like to spell out few ideas and suggestions and put them on the aid industry table. Few of these suggestions are operational, while the others are strategic and conceptual. To be sure, while some of these can be considered premature, politically incorrect and damaging or even emotional; however being ready to carry the political costs to preserve dignity in the aid system is the key here.

Palestinians must move away from the current context toward a paradigm that understands development as means to realizing rights, freedoms, and self-determination. It is essential to move beyond the technocratic and apolitical understanding of the development process toward recognizing the power asymmetry and colonial dominance. A genuine bottom-up participatory citizen-centric development model should be prioritized. The status quo serves to normalize and maintain the Israeli occupation by ignoring the political roots of Palestinian poverty.

A new Palestinian agenda for a resistance economy can be informed by indigenous and international experiences. The economic vision must be to reinforce self-sustainability and socioeconomic and cultural resistance above artificial economic growth. This is not to suggest that private sector development be hindered; entrepreneurship is important at all levels and scales. But there must be a vision for an economy that sits at the heart of the Palestinian struggle.

There is also a need to think about how Palestinians can institutionalize and eventually create a bureaucracy around a democratic people-driven development agenda. In the development literature there is a trend that prioritizes the indigenous mechanisms and governance for development. The leading institutions of the first Intifada demonstrated effective Palestinian-centered governance provisions; however, these were displaced in the wake of the Oslo Accords.

Donors have never taken Palestinian claims seriously, partly because donor investment in the so-called ‘peace process’ has never been seriously challenged. A civil society campaign is
needed to expose these operations and make it difficult for donors to do business as usual. Getting a few ‘bad’ donors out of Palestine as a result of social pressure would go beyond simply ‘reforming’ aid and might restore Palestinian steadfastness and resistance in the struggle for human rights.

The PA should not only demand accountability from donors but also tax their operations. A tax on the consultancies of foreign experts will make them more expensive for donors in relation to local expertise. This is fully in harmony with the Paris Declaration for Aid Effectiveness, as it would promote the utilization of national capacity.

There is a need for lobbying to revoke the exemptions the late Palestinian leader Yasser Arafat gave to USAID. According to a 2010 report by AMAN, only 146 foreign organizations are registered, just 40% of the total number operating in the oPt. This is partly because Arafat exempted from registration all USAID bodies and companies. USAID among other donors do not have to report or submit budgets, and are not subject to the oversight of the Palestinian Companies Controller or the Ministries of Interior or National Economy.

Perhaps it is also the time to look for new national donors and new forms of aid such as the deployment of the Palestinian Diaspora’s resources to constitute a sort of remittances for the cause or resilience bonds managed by national development bank or development agency. The experience of Agha Khan Foundation can be particularly inspiring in this regards.

Donors need to be particularly cautious when they exaggerate in supporting the security sphere and sector. Despite all the good intentions, however the transformation toward a police state and the creation of an authoritarian regime can occur easily, as the regional experiences showed. Gaza and its people should not be treated as if they belong to another planet, and hence donors should stop fueling the Palestinian divide and reinforce the political and geographical fragmentation. Indeed donors need to revisit their decision in denying the Palestinian democracy and people’s will. Jerusalem and Areas (C) are all an integral part of the occupied territories and neglecting them further more does not only hinder the Palestinian development, but also demise any possible hope in the viability of the creation of a viable Palestinian state.

The previous to-do list is not exhaustive but rather indicative, and it is certainly not the exclusive responsibility of the donor community. In contrary, it is majorly our responsibility as Palestinians and more precisely the PA leadership. However, within the absence of a genuine locally-built development paradigm which incorporates the national concepts of emancipatory human rights, the international institutions’ development paradigm may at best achieve
temporary ‘numerical’ progress that sustain the status quo, make life under occupation more bearable, but never reverse the de-development process. At the end the message is short and clear: if we Palestinians do not ensure dignity in our development, no one will. In other words and to echo the wise words of Archbishop Desmond Tutu, the various actors in the aid industry need to think thoroughly about the neutrality notion and the existing colonial conditions and apartheid status. It can’t be in any better timing, thinking of the Arab Intifadas, to remember the infamous sayings that ‘If you are neutral in situations of injustice, you have chosen the side of the oppressor’; and ‘I am not interested in picking up crumbs of compassion thrown from the table of someone who considers himself my master. I want the full menu of rights’. These are relevant to the aid debate and definitely not expired. Otherwise, perhaps the historical hunger strike of Khader Adnan for dignity and freedom would has its impact on the notion of national dignity that will be eventually reflected on the aid industry and the broader dynamics of the Palestinian struggle for liberation and freedom.
4- References


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5- Appendix:

Figure.1: Total International Aid to Palestinian 1993-2013

Figure.2: Aid as percentage of the West Bank and Gaza’s GDP 1993-2013
Figure.3: International Aid Per Capita in West Bank and Gaza 1993-2013