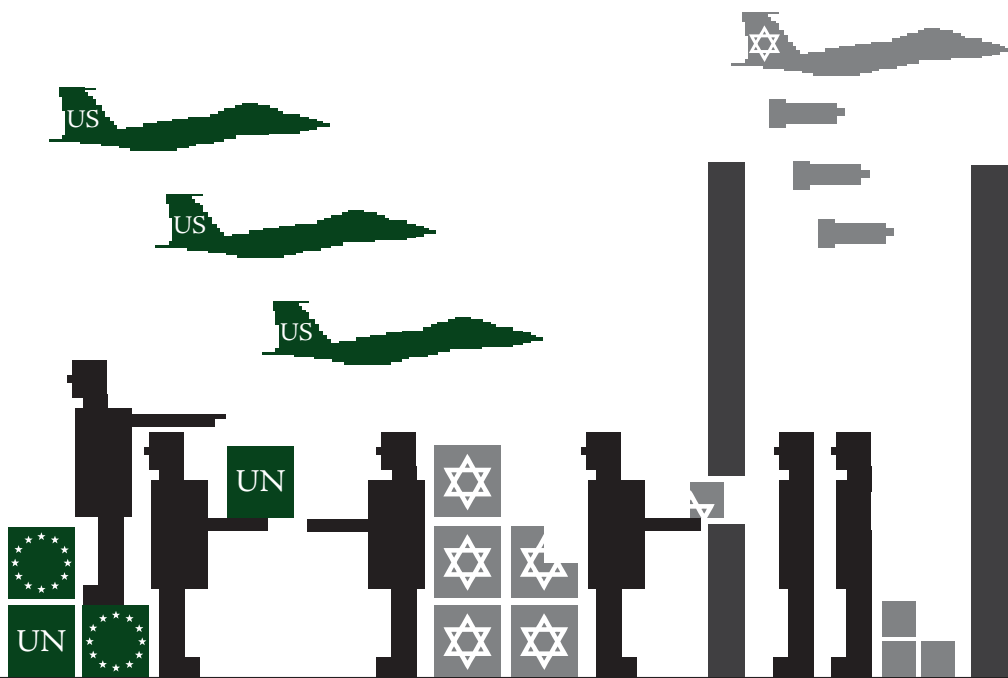


**The Economy of the Occupation**  
*A Socioeconomic Bulletin*



**POLITICAL ECONOMY OF AID TO  
PALESTINIANS UNDER OCCUPATION**

Shir Hever

# *Economy of the Occupation*

Socioeconomic Bulletin № 17-18

---

## **POLITICAL ECONOMY OF AID TO PALESTINIANS UNDER OCCUPATION**

---

**November 2008**

**Published by the Alternative Information Center (AIC)**

<http://www.alternativenews.org/>

**Jerusalem**

4 Queen Shlomzion Street  
PO Box 31417

Jerusalem, Israel 91313

Phone: 972-(0)2-624-1159; 624-1424

Fax: 972-(0)2-625-3151

**Beit Sahour**

Building 111 Main Street  
PO Box 201

Beit Sahour, Palestine

Phone: 972-(0)2-277-5444

Fax: 972-(0)2-277-5445

**Editor:** Heather Tenzer

**Graphic Designer:** Tal Hever

**Printer:** Latin Patriarchate Printing Press

**Cover:** Illustration by Tal Hever

This booklet was produced with the generous support of Diakonia.

**The AIC further wishes to acknowledge the solidarity and support for its activities by:**

Associazione Comunita Papa Giovanni XXIII, Broederlijk Delen, the Catalan Government through the help of Sodepau, Comite Catholique Contre La Faim Et Pour Le Developpement (CCFD), Inter-Church Organisation for Development Cooperation (ICCO), the Irish Government through the help Christian Aid, Junta Castilla-La Mancha through the help of ACSUR Las Segovias.

# Table of Contents

---

1. Introduction	4
2. Methodological Concerns	6
3. History of Aid	9
4. Forms of Aid	19
5. Comparisons of Aid	25
6. Obstacles and the Trap of Aid	34
7. Political Context	41
8. Conclusion	47
Bibliography	50

We would also like to extend our thanks and appreciation to all the solidarity groups and individual activists who are working hard around the world for a just peace in the region.

## 1. Introduction

This report updates and expands upon the report: *Foreign Aid to Palestine/Israel* originally published by the Alternative Information Center in June 2005, and revised in February 2006. Foreign aid to the Occupied Palestinian Territories (OPT) was the first topic addressed by the Alternative Information Center's Economy of the Occupation

*The immense interest in the region by the international community seems disproportionately large*

project. It has generated substantial reader interest, drawn large audiences to lectures and generated more speaking tours, workshops and seminars than any other topic addressed by the project. Although less than four years have passed since the original report was published, many political changes in the region have led to a change in aid policies. These events include the January 2006 Palestinian legislative council elections and the changes in

the status of the Gaza Strip. Thus a new look at the topic is warranted.

Aid must be understood in the context of the worldwide attention paid to Israel and the OPT, despite the fact that the region is quite small (about 29,000 square kilometers—or roughly the size of Massachusetts), and its inhabitants number less than 0.2% of the world's population (at around 10 million).

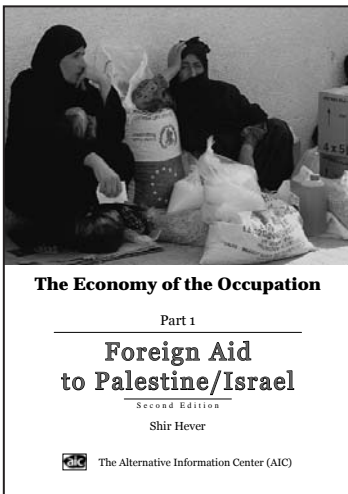
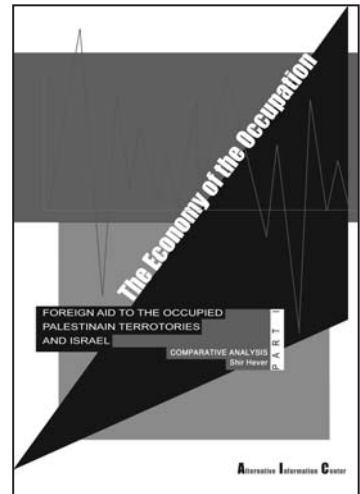
The immense interest in the region by the media and international diplomats seems disproportionately large when one considers the size of the region as well as the fact that the area is neither extremely wealthy nor extremely poor, and contains no resources of crucial importance to the world's economy.

Years of bloody conflict have weakened both Israeli and Palestinian economies, though the latter has suffered the brunt of the decline. Because the Israeli-Palestinian conflict plays a central role in international politics, signif-

ificant aid has been sent to the region. Currently, foreign aid (in the form of humanitarian assistance and development aid) is a defining feature of the Palestinian economy. The amounts of aid sent to the OPT and Israel are

among the highest per-capita aid disbursements in the world. This report will attempt to understand the reasons for this, and to assess the ways in which aid affects the Israeli-Palestinian conflict.

Economy of the Occupation's first report concerning foreign aid to Israel/Palestine. June 2005



Economy of the Occupation's revised edition of the report. February 2006

## 2. Methodological Concerns

Aid can be divided into three categories: development aid, humanitarian aid and general foreign aid. The latter is generally given to a state or an organization in order to support its actions and ensure its continued existence. The aid that the US sends to Israel can be seen as general foreign aid. The two other forms of aid—development aid and humanitarian aid—are usually directed at developing disaster struck regions. Also, foreign aid is clearly a political act and a sign of support for the recipient, while development and humanitarian aid often attempt (or pretend) to assume a neutral stance toward the political questions that are relevant to its operations.

Development aid has become a strong trend in defining the relations between the developed and developing worlds after World War II. The objective of development aid is to foster the creation of local economic capacities, including infrastructure, employment and local sources of income. The ultimate goal of development aid is to narrow the gap between devel-

oped and developing countries, and is therefore sustained and long-term in nature.

The concept of development aid has come under attack in post-colonial writings as a Western notion, a concept used by donor countries to impose conditions on recipients according to the donors' interests and to develop certain parts of the recipients' economies which end up improving the influence and control of donors over the recipients' markets. Donors are also accused of using aid to encourage a social transformation in the target society to make it resemble a Western society (Hoseini, 2006).

Humanitarian aid, however, is temporary in nature. Its goal is to help the target population to better cope with and survive a natural disaster or other catastrophe. Humanitarian aid is often distributed through Non-Governmental Organizations (NGOs)—as opposed to governments.

Differentiating between different types of aid is theoretically important, but very difficult to do in practice. Official and legal classifications are not

always reflected by the reality on the ground. Recipients can also subvert the intended purpose of the aid and use it for a different purpose. Foreign aid is the easiest form of aid to subvert, because governments usually have existing operations of both a humanitarian and a development nature. They can simply use aid earmarked for a specific operation to replace existing government expenditure, and thus free government resources for other purposes.\*

It is important to note that the Palestinian Authority (PA) is not a typical government. It is not sovereign, does not have its own currency, is not able to fund its operation with local tax collection and has less ability to subvert aid than other governments. Being placed under strict financial supervision and having very few local sources of income, the PA does not have the financial clout to determine local economic policy. In 2002, the PA budget was a mere 0.42% (about half a

percent) of the Israeli national budget. Therefore the question of aid subversion should be focused on the efforts of the Israeli authorities, which have near-absolute control over movement, information, population registry and economic transactions in the OPT.

The PA institutions (and most notably the Ministry of Planning\*\*) also use development discourse. The PA's stated agenda and priorities are in line with the stated goals of the donors and development agencies. However, the reason for the unanimity of vision is unclear. Are donor agencies following the PA's lead? Is the PA adopting donor priorities out of weakness and lack of choice?\*\*\* Or is it possible that both donors and the PA are operating within a constrained field of possibilities defined by the restrictions imposed by Israel's occupying forces? The discussion below will hopefully shed some light on the forces shaping the development discourse.

Much of the data that exists on aid

---

\* The Structural Adjustment Programs (SAPs), launched by the International Monetary Fund (IMF) and the World Bank, are designed to limit the freedom of governments who received assistance to choose their own economic policies.

\*\* <http://www.mop.gov.psw/en/>

\*\*\* This analysis was offered by Sari Hanafi and Linda Tabar (Hanafi and Tabar, 2004).

to the OPT comes from sources that are biased towards a certain view of aid and development. The measurements of the World Bank emphasize aid that is channelled through its own agencies and the United Nations (UN), thereby emphasizing aid that is donated by governments rather than NGOs, and follows a strict procedure of accounting and monitoring.

Aid granted by individual donors, charity organizations and other institutions with different accounting procedures is not registered, counted or even estimated by the World Bank and the UN. This creates an uneven tally of aid and creates the impression that international aid from Western sources takes a larger share of total aid than it actually does. Also, aid from Arab and Muslim sources has been greatly underestimated. The Hamas Party has been one of the major recipients of this aid. Thus, excluding these funds from the data has contributed to a misunderstanding about the causes for the rise of Hamas in Palestinian politics.

Information on the economic aspects of Israel's occupation of the OPT is incomplete for several reasons. Firstly, there is scant information available about the actions of both Israel's occupation forces and the Palestinian resistance. This is due in large part to the clandestine nature of military operations. Secondly, information on the Palestinian economy prior to the Oslo negotiations is based almost entirely on Israeli sources, which conducted partial surveys of the Palestinian economy, and used different methodologies than those used afterwards by the Palestinian Central Bureau of Statistics.\*

In contrast with this shortage of economic data, there is extensive information available on foreign aid to the OPT. The UN, the World Bank, Palestinian institutions, donors, disbursing agencies, independent scholars and research institutions have printed volumes on the subject—with much repetition.

---

\* For example, East Jerusalem, which is classified according to Israeli institutions as part of Israel, and according to Palestinian institutions as part of the Occupied Palestinian Territory, has led to differences in averages and aggregates.



## 3. History of Aid

### 3.1 HISTORIC REASONS FOR AID

Aid does not simply originate from the kindness of developed countries towards less privileged ones. The developed world has built its wealth largely through

*Developed countries have a moral debt towards the Palestinians, and aid is only a partial repayment*

colonial projects, through the exploitation of what is today known as the “third world.” Aid, therefore, should not be considered merely as charity, but rather as the partial repayment of historic debts and the reallocation of the world’s wealth in order to partially compensate for past injustices (Ope-skin, 1996).

The role of the international community in the dispossession of the Palestinian people and the creation of millions of refugees cannot be denied. The establishment of the state of Israel as a “Jewish state” in 1948, which was affirmed by the UN, spelled disaster for the majority of people who lived in the area—the Palestinians. The

subsequent occupation of the OPT in 1967, though never approved by the international community, has nevertheless gone unpunished. Moreover, the US and European countries have continued to do business with and offer support to Israel, disregarding its

numerous violations of international law. In doing so, they have conferred an implied legitimacy over Israel’s actions (Haijar, 2001).

Thus, developed countries have created a moral debt towards the Palestinians. It is in this context that aid must be understood.

### 3.2 FOUR PERIODS OF AID

In order to better understand the trends of aid to the OPT over time, aid can be divided into four periods:

1. **Before Oslo:** 1967-1993
2. **The Oslo years:** 1994-2000
3. **Second Intifada:** 2001-2006
4. **Fayad government:** 2007+

Since the occupation began in 1967, a distinct pattern developed of donors sending different types of aid to the OPT. Specifically, donors have vacillated back and forth during these periods between sending humanitarian aid and development aid. The trend started out in the pre-Oslo years with

*Donors have vacillated back and forth during between sending humanitarian aid and development aid*

donors focusing on providing humanitarian aid, and shifted to development aid during the Oslo years—then returning to humanitarian aid during the second Intifada and finally switching back to development aid during the Fayad government.

The frequent shift in donors' focus can be attributed to changing political conditions in the Israeli occupation:

During the first period, before the beginning of the Oslo process, any development aid to the Palestinians would have been aid to the occupation

economy managed and fully controlled by the Israeli occupying forces. Israel was then responsible for the development of the Palestinian economy—a responsibility that it neglected (Arnon et al., 1997). Development aid under such conditions could only be seen as assisting Israel's control mechanisms (Hoseini, 2006). Whatever donors provided under those circumstances was in fact aid to Israel; and aid to the Palestinians had

to be confined to humanitarian aid, which at the time was limited to UN operations and charity works.<sup>8</sup>

During the second period, once the Oslo process began, the illusion was created that a sovereign Palestinian state was imminent, and thus development aid could help determine the economic characteristics of that future state. This created the political possibility of sending aid in a manner that was welcomed by the Palestinians and did not violate international laws. It was even welcomed by the Israeli gov-

---

\* An exception to this was the money transfers from Jordan. Jordan continued to pay the salaries of Palestinian civil servants in the West Bank after 1967, as it didn't recognize the occupation's legality and sought to continue to influence Palestinian society in the West Bank. Israel sought to stop this practice (Gazit, 1972).

ernment. The surge of development funds sent to the OPT during those years indicated that many international players felt that they had a vested interest in the outcome of peace negotiations and in the future Palestinian state (Le More, 2005).

The third period, following the outbreak of the second Intifada, was one of disillusionment. From 1994 to 2001, about US \$4 billion in development aid was disbursed in the OPT (according to the World Bank's Query Service). Yet the effects of that aid on the Palestinian economy were marginal at best and there was little or no improvement in the standard of living of Palestinians, no formation of a robust industrial sector and no significant growth in exports by Palestinian businesses. The failure of aid was clearly the result of Israel's closure regime and the obstacles placed by Israeli military forces on the Palestinian economy in the name of "security" (Cork, 2001). The violent response of the Israeli military to the second Intifada and the massive destruction wrought on the Palestinians convinced donors to shift their efforts from development aid to emergency assistance, hoping that the

violence was temporary and that development could resume afterwards.

The fourth period, which began in 2007 with the election of the Fayad government and continues until today, has seen a return to the development discourse. The shift occurred as a result of the efforts of the Fayyad-Abbas government in the West Bank. Under Fayyad, the PA has cooperated with the World Bank in an effort to restart development aid.

### **3.3 AID BEFORE OSLO**

The main source of humanitarian aid to the Palestinians has always been the United Nations Relief and Works Agency for Palestine Refugees in the Near East, also known as UNRWA. The UN agency, which is funded by the international community, maintains refugee camps for Palestinian refugees who were forcefully expelled from their homes in the war of 1948. Some of these camps are located in the West Bank and many more in the Gaza Strip. When Israel occupied these areas in 1967, UNRWA stayed and continued to manage the refugee camps (Fast, 2006). UNRWA was al-

most the only provider of aid to the occupied Palestinians (except for the occupying authorities) until 1994 (Azoulay and Ophir, 2008).

UNRWA was criticized for effectively helping the Israelis manage the occupied Palestinian population. Critics argued that the camps should be dismantled and Israel should be responsible for the well being of the refugees. Legally, Israel is obligated to allow the refugees to return to the lands they were evicted from in 1948

*Donors assumed that Israel's eventual withdrawal from the OPT would leave the Palestinians unprepared to sustain themselves economically after decades of occupation*

(Schiff, 1989). The constraints on UNRWA as a UN agency set limits on its actions. It had to limit its activities to those of humanitarian nature and could not launch projects that would create permanent solutions for the Palestinian refugees because those solutions would have been perceived as undermining the right of the refugees to return (Turkmen, 1996). Furthermore, UNRWA's funding was

insufficient for such projects and was barely enough to maintain the basic services to the growing population of the refugee camps (Rempel, 2000).

### **3.4 AID DURING THE OSLO PROCESS**

When aid was finally expanded beyond humanitarian assistance into the realm of development, it was designed to promote an independent Palestinian economy. It was therefore funneled into development and the creation of jobs. Thus, development projects until the year 2000 received five times

as much funding as humanitarian aid and crisis management (Morli, 2004).

Aid was offered as a boon to the Palestinians and to Israel for their willingness to make peace. Donors assumed that Israel's eventual withdrawal from the OPT would leave the Palestinians unprepared to sustain themselves economically after decades of occupation. The financial aid was meant to smooth the transition from

complete Israeli control to Palestinian autonomy and statehood.

In addition to economic and infrastructure development projects, donors also funded the creation of the Palestinian Authority—a “political development” investment—in order to help prepare the Palestinians for self-rule (Hoseini, 2006).

Donors, however, did not take into account the critical importance of the effects of the Protocol on Economic Relations, signed by Israel and the PLO in 1994, on aid. The protocol, nicknamed “The Paris Protocols,” created a customs-envelope for Israel and the OPT, meaning that all foreign aid donated to the Palestinians was required to pass through Israeli customs and the Israeli government could take tariffs from the aid. The agreements also stipulated that Palestinian workers would be allowed to enter Israel to seek employment. However, Israel never fulfilled this part of the agreement, imposing blanket closures in the name of security (Farsakh, 2002) and preventing Palestinians from getting to their jobs in Israel and thus creating for the Palestinians a further dependency on foreign aid (*ibid.*).

The massive aid efforts launched during the Oslo process suffered from countless interferences by Israeli authorities. For instance, raw materials were delayed at Israeli customs. Also, the Israeli military and border police often delayed or blocked the transport of raw materials and labor at checkpoints inside the OPT. Construction sites were cut off from infrastructure, at times even directly attacked by Israeli forces, destroying any progress that had been achieved despite all of the obstacles (Graham, 2002).

Despite the fact that the Israeli authorities foiled development projects, none of the international donors pressed charges against or demanded compensation from Israel for disrupting the development efforts. (Karmi, 2005; Hoseini, 2006).

### **3.5 AID FOLLOWING THE SECOND INTIFADA**

Following the outbreak of the second Intifada in September 2000, the Israeli army escalated its attacks on the Palestinians. There was a sharp increase in violence by the Israeli army and judicial oversight was limited (Azou-

lai & Ophir, 2008). The Israeli army demolished houses, imposed closures and curfews, uprooted trees and carried out extra-judicial assassinations in which bystanders were often hurt. These actions—as well as Israel’s construction of the Separation Wall—took a heavy toll on the Palestinian economy. In the two years between September 2000 and late 2002, the annual domestic production per Palestinian (or GDP per capita) dropped by over 40%. This rate of reduction is almost unprecedented and surpasses the rate of decline during the Great Depression of 1929 in the United

*During the second Intifada, the Palestinian economy suffered an economic crises greater than the Great Depression*

States and the 2000 financial collapse in Argentina (World Bank, 2004a).

To help the Palestinians survive this onslaught, foreign donors nearly doubled the amount of aid funnelled to the OPT in 2001. Simultaneously, the ratio of the funds was reversed from 5:1 in favour of development, to 7:1 in favour of crisis management (Morli, 2004). In late 2000, the UN

established its Office of Coordinating Humanitarian Affairs (OCHA) in order to coordinate the massive emergency aid efforts (Fast, 2006). While humanitarian aid grew, the Palestinians’ own means for producing income diminished.

Effectively, donors gave up on development in the short term and tried to contain the expanding humanitarian crisis and prevent a collapse of Palestinian society, mass famine and disease. This policy meant a slowdown in the growth of the Palestinian economy, diminishing hopes for the economic viability of a future sovereign state (Karmi, 2005).

However, it also cushioned the impact of Israel’s violent measures by distributing food

and medicine in areas besieged by the Israeli forces and by providing relief for families who lost their homes and jobs. Thus, Israeli officials began making decisions—considering only the security of Israeli citizens (including Israeli settlers living deep inside Palestinian territory), without regard for Palestinian civilians (ibid.).

Israeli authorities continued to in-

crease the pressure on the Palestinian population even after the second Intifada, and routinely used collective punishment against Palestinian communities, especially in the Gaza Strip after the 2005 withdrawal. By hampering normal economic activities (such as importing electricity and petrol), Israel placed the Palestinian population in a state of constant risk and uncertainty.

In January 2006, the Palestinians in the OPT held an election, in which the Hamas Party defeated the ruling Fatah party—winning control of the Legislative Council. The Israeli and American governments rejected the democratic decision of the Palestinians and responded with a financial boycott of the PA—implementing measures to prevent donors from sending aid to institutions affiliated with the Hamas Party. Donors had to pay for legal advice in order to protect themselves from prosecution due to the new limitations. These limitations also made it more difficult for aid agencies to hire local staff or to affiliate with local NGOs for fear that Palestinian staff members or NGOs could be affiliated with the Hamas

Party and thus put the agency at risk of losing funds (Fast, 2006). Because of the boycott, many projects were shut down mid-way through. Construction projects were frozen—creating unsafe construction sites and forcing development agencies to pay to fence off these areas or hire guards to secure the sites (*ibid.*).

Humanitarian organizations increased their efforts to keep the humanitarian catastrophe at bay. Even UNRWA, an organization that was humanitarian to begin with, responded by neglecting certain operations and focusing more efforts on crisis management. UNRWA dedicated only 10% of its budget to direct food aid before the second Intifada, but increased that expenditure to 54% of its budget by 2007 in order to prevent widespread famine in the OPT (especially in the Gaza Strip), along with about nine other humanitarian agencies (Azoulay & Ophir, 2008).

Humanitarian measures, however, amounted to little more than a containment of an expanding crisis. Despite humanitarian assistance, the ratio of Palestinians living under the poverty line in the OPT rose from

36.9% in 2006 (UN, 2008a) to 74.9% by the end of 2007 (67% in the West Bank and 88% in the Gaza Strip, *Palestine Monitor*, 2007).

### **3.6 RENEWED DEVELOPMENT EFFORTS**

The economic, political and even military pressure applied by Israel and international governments on the Palestinian Authority during the Hamas government caused a rift in the Palestinian leadership. This led to the formation of two governments—one supported by the Fatah Party and headed by Prime Minister Salam Fayyad in the West Bank, and the other headed by Hamas Party leader Prime Minister Ismail Haniyeh in the Gaza Strip. Both factions used violence in their respective takeovers (Amr, 2008).

As a result of this rift, the aid realities in the Gaza Strip and the West Bank have taken different directions. The Gaza Strip remains under siege by the Israeli army, with nothing but essential supplies allowed inside. The Hamas Party hoped that their experience distributing aid through charity

organizations (often funded by Muslim and Arab institutions and states) would allow them to create an alternative mode of economic operation to that of Fatah's in the West Bank (Fast, 2006). However, the siege of Gaza has made the operation of such charities nearly impossible (Reuters, 2007). The Gazan economy has come to a near-standstill. Gaza is now more dependent than any other worldwide region on international humanitarian assistance (*Electronic Intifada*, 2007). The World Bank reported that many development projects in the Gaza Strip ended. Thus, the World Bank predicted that the economic gap between the Gaza Strip and the West Bank would continue to widen (World Bank, 2008).

Meanwhile, the Fayyad government in the West Bank, with the support of President Mahmoud Abbas, has undertaken a policy to resume development investments in the OPT. The fact that Salam Fayyad used to be an economist working for the World Bank can perhaps offer a partial explanation for the choice to pursue this policy, despite the multiple political compromises that this policy entails



(Hanieh, 2008; Stop the Wall, 2008).

The Fayyad government's policy took shape in three projects: the writing of the Palestinian Reform and Development Plan 2008-2010 (PRDP), which was presented at the donor conference in Paris in December

*The Fayyad government made political compromises in order to pursue economic development of the private sector*

2007;\* the plan to create industrial zones which will serve as enclaves, designed to attract foreign capital (Stop the Wall, 2008); and the Palestinian Investment Conference in May 2008, which was intended to attract foreign investors to the Palestinian economy, by downplaying the effects of the occupation on Palestinian economic prospects and by seeking Israeli cooperation in economic development (Alternative Information Center, 2008). All of these projects, however, focus on the West Bank—while isolating the Gaza Strip.\*\*

### 3.7 BRIEF HISTORY OF AID TO ISRAEL

While the importance of foreign aid to the OPT is widely recognized and discussed, it is also important to examine how foreign aid to Israel has been one of the main building blocks of the Israeli economy. In fact, Israel received and continues to receive aid

in quantities much larger than those disbursed to the OPT. Aid dependency was a feature of the Jewish colonies in Palestine even before the creation of the state of Israel in 1948. The Zionist organizations that formed the first state institutions were supported by donations from worldwide Jewish communities (Berkowitz, 2003).

The newly founded state of Israel continued to rely on aid from Jewish communities, supplemented by (mostly military) aid from foreign countries. In return for Israel's participation in the attack on Egypt in 1956, France

\* The conference summary, speeches and documents can be found at: [http://www.diplomatie.gouv.fr/en/article-imprim.php3?id\\_article=10439](http://www.diplomatie.gouv.fr/en/article-imprim.php3?id_article=10439).

\*\* These projects mention the Gaza Strip, but no funds from the projects are being invested there.

supplied the Israeli army with weaponry. Additionally, the UK and France ensured that Israel would be able to use the Straits of Tiran, a waterway off the coast of southern Israel, which separates the Gulf of Aqaba from the Red Sea (Golani, 1998).

Beginning in 1953, Israel began to receive reparations from Germany for the Holocaust. Israeli officials proclaimed the State of Israel as the representative of worldwide Jewry, and the German government found it easier to funnel much of the funds to Holocaust survivors living in Israel through the Israeli government. The Israeli government took over much of the funds, and instead of investing them in the wellbeing of the Holocaust survivors and their descendents, used them for various national projects. It is interesting to note that Jewish survivors who live in places other

than Israel received higher compensations than survivors in Israel (Plotzker, 2007; Pepper, 2008).

Starting in October 1973, when Israel was fighting a losing battle on two fronts (Syria and Egypt), the US began to support Israel at an unprecedented rate. US aid to Israel quickly overshadowed all other forms of aid, and Israel made it to the top of the list of countries receiving aid from the US (Yom, 2008).

Since 1973, US aid to Israel has gradually eroded, mostly as a result of the falling value of the dollar. However, in 2003 Israel became, for the first time, a capital-exporting country, meaning that the Israeli economy had a surplus of capital (most of it held by private corporations), and Israeli economists began to claim that Israel is no longer dependent on foreign aid (ICBS, 2008).

## 4. Forms of Aid

Aid to the Palestinians can be donated in cash or in kind and can be transferred directly either to the PA or to NGOs. It can be managed in projects supervised by the World Bank or the UN. It can come with conditions, or with monitoring efforts to prevent its misuse. The word “aid,” in the context

of providing emergency assistance. As such, it deals mostly with the distribution of food and medicine (Morli, 2004). Development aid, which is coordinated primarily by the World Bank, supports income-generating projects such as agriculture, education, industry, infrastructure and financial investments. Due to its

*The word “aid,” in the context of Palestinians in the OPT can have many meanings. Usually, the word is not used to refer to political assistance*

dominant role in international development, the World Bank has used its le-

verage to promote the importance of the private sector in development aid. According to the World Bank, private businesses are more efficient and honest than government sponsored development (Hanafi & Tabar, 2004). Critics condemn the World Bank’s approach—maintaining that on average, development by the private sector leads to slower and less egalitarian economic growth than development that is more centralized and government-managed (Ha-Joon, 2003).

of Palestinians in the OPT can have many meanings. Usually, the word is not used to refer to political assistance, statements condemning the Israeli occupation or calls for boycott against the Israeli occupying forces—even though this is often the kind of aid preferred by the Palestinian public and civil society (Badil, 2005).

Instead, the international community usually donates humanitarian aid and development aid. Humanitarian aid, which is coordinated primarily by the UN, focuses on alleviating suf-

#### 4.1 SOURCES OF AID

Foreign aid flows to the OPT from numerous sources, including, primarily:<sup>8</sup>

- The European Union and European countries (52.9%)
- Japan (14.3%)
- Arab states (10.5%)
- The United States (12.7%)
- The United Nations (1.8%)
- Other (including Australia, Canada, individuals and organizations: 8.2%)

The aid is then disbursed primarily by three agencies, including: UNRWA, the World Food Programme (WFP) and the World Bank (UN, 2007 and World Bank 2004b).

From the percentages above, it would appear that the largest aid donations to the OPT come from European countries; however, an accurate comparison is impossible because of

a lack of sufficient reporting. For example, Arab states often send aid to Islamic charities, which do not report these donations to the World Bank or the UN. As a result there is no single organization, which tallies the total aid.

#### 4.2 TIM AND PEGASE

In response to the Palestinian Legislative Council election results in January 2006 and the victory of the Hamas Party, Israel, the US and its allies decided to boycott the Hamas government. They froze the transfer of funds to the Palestinian Authority. They eliminated aid projects, cut budget support for the PA and ceased to cooperate with the PA on numerous projects. In addition, Israel froze the transfer of VAT, customs and tariffs—violating the terms of the Paris Accords, which state that Israel is obligated to transfer these monies to the PA.

---

\* The figures refer to the CAP appeal organized by OCHA, the UN Office of Coordinating Humanitarian Affairs. They do not include the budget of UNRWA, which is the majority of aid to the OPT, and do not include donations to specific institutions and NGOs in the OPT that are not managed through the CAP. The distribution of aid sources is for the 2005 CAP. OCHA, 2005, <http://www.reliefweb.int/fts>.

The freeze on the PA income immediately caused tens of thousands of PA workers to stop receiving their salaries. In addition, public services were harmed, and the social infrastructure and political framework of the PA were on the verge of collapse (Fast, 2006).

In order to avoid this collapse and in order to remain involved in OPT projects, the European Commission (EC) along with the World Bank established a Temporary International Mechanism, known as TIM. The TIM was a method for forwarding funds to the OPT—while excluding the Hamas government from access to managing and using these funds. It was a tool to maintain European influence on the developments in the OPT, but still follow the lead of the US in boycotting Hamas.

The TIM had three components:

1. The World Bank managed emergency service programs—transferring donor funds to education, health and develop-

ment programs.

2. The EC paid for the Gaza power station's fuel and other Palestinian fuel needs.
3. The EC also paid allowances to poor individuals and to civil servants directly.<sup>8</sup>

The TIM was funded by 19 donor states (15 of which are members of the European Union). It disbursed a total of 190 million Euros during its two years of operations (from 2006 through 2008)(EC, 2008). Although it was planned as a temporary measure, and thus had to be renewed every three months, the TIM ended up serving as a mechanism for transferring EU funds into the OPT for over two years. The temporary nature of TIM raised suspicions that the EU and the World Bank were waiting for the Hamas government to fall so that normal aid operations could restart, but the EC and the World Bank didn't acknowledge that because that would be an admission of intent to interfere with local Palestinian politics. The for-

---

\* According to David Craig, World Bank country director to the West Bank and Gaza Strip, in a lecture given on December 5<sup>th</sup>, 2006 at the Truman Center for Peace in the Hebrew University.

mation of a Palestinian unity government in March 2007 did not convince the EC to resume sending aid, because the Hamas Party was still part of the unity government. Only the interim government of Salam Fayyad in June 2007 convinced the EC to change the TIM, although it was still extended until the first quarter of 2008 (Broederlijk Delen, 2008).

A new mechanism for transferring EU funds to the OPT, called Palestino-Européen de Gestion de l'Aide Socio-Economique (or, PEGASE), was launched to replace the TIM in February 2008. However, normal aid relations have not resumed with the Gaza Strip, which as of the publication of this bulletin continues to be controlled by Hamas. PEGASE was launched as a three-year plan, to be implemented in conjunction with the

*The temporary nature of TIM raises suspicion that the European Union and World Bank were waiting for the Hamas government to fall in order to resume normal aid*

Palestinian Reform and Development Plan (see below). PEGASE therefore is intended to keep in place the

payments that used to be transferred through the TIM (such as fuel shipments to the Gaza Strip) and to expand into areas that TIM was not able to address, such as governance, social development, economic and private sector development, and public infrastructure. These expansions only applied to the West Bank—not the Gaza Strip—because donors did not recognize Haniya's government (ibid.; UN, 2008).

#### 4.3 THE PALESTINIAN REFORM AND DEVELOPMENT PLAN 2008-2010

The Fayyad government's economic policy was codified in the Palestinian Reform and Development Plan (PRDP). The plan uses language and arguments that are very similar to those used by the World Bank.

The plan barely mentions the Israeli occupation and its effect on the Palestinian economy (despite

the fact that the occupation's effect is pervasive and that previous development projects in the OPT failed be-

cause of Israeli influence. The PRDP is, however, very critical of the Hamas takeover of the Gaza Strip, to the ex-

*The PRDP's neoliberal agenda opens up the Palestinian economy to foreign investments but relinquishes PA authority to determine local policy*

tent that it would seem to be a higher priority of the PA officials to remove Hamas from power than to end the Israeli occupation (PNA, 2007).

The PRDP rhetoric certainly reveals the political perspectives of the PA officials who authored it while also revealing their concern for strategic fundraising. In other words, the document uses language that depoliticizes the need for aid and thus appeals more to potential donors. The plan was indeed completed in time to be presented at the donor conference in Paris in December 2007. The PA called on donors to donate US \$5.6 billion to implement the plan. Donors agreed to pledge even more—US \$7.7 billion, although how much of that will be disbursed remains to be seen

(Associated Press, 2008).

The PRDP appeals to donors because of its neoliberal agenda. Specifically, the PRDP emphasizes the private sector, opening up the Palestinian economy to foreign business and relinquishing the PA's authority to determine economic policy in the OPT. The PRDP favors a "free-market" ap-

proach in which the government plays only a secondary role. This approach runs contrary to the public opinion of most Palestinians and has come under criticism by many Palestinian political activists (Hanieh, 2008).

The plan advances the agendas of both the Fayyad-Fatah leadership and international donors. Specifically, the section of the PRDP dedicated to "security and rule of law," allows for the build-up of the PA police loyal to the Fayyad government. The Fayyad government's ability to use violence enable it to enforce economic policies that are expected to cause unrest and suffering (Hanieh, 2008). This police force could also be used to suppress the Hamas movement and other opposition forces, which can

threaten a government that was never democratically elected by the public and must rely on authoritarian means to stay in power.

Immediately after the plan was set in motion, the PA purchased new equipment and buildings for the Palestinian police and deployed 620 special-forces troops in Jenin (The Economist, 2008).

The US, more than any other donor, has shown a commitment to spending money on arming the PA. The weapons, uniforms, vehicles and other equipment that was earmarked for the PA security forces

were intended to be used to police the local population—officially to “maintain public order.” However, at a time in the OPT when there is internal political disagreements and at points even armed struggle between factions, the equipment effectively gives one faction an advantage over the other. After the 2006 elections in the OPT and the victory of Hamas, it became clear that US aid was in fact directed to the faction whose political positions it favors—not the factions that represent the political will of the Palestinian people (Hoseini, 2006).



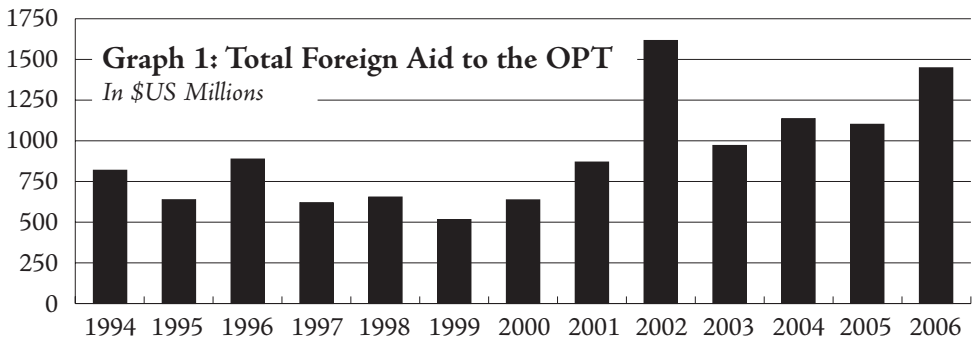
## 5. Comparisons of Aid

### 5.1 AID FIGURES

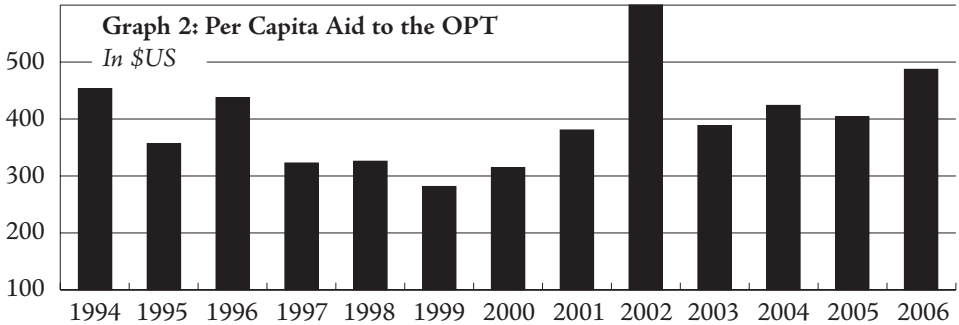
There is a common and widespread misperception among both supporters and critics of the Palestinian struggle that Palestinians receive the highest per-capita aid in the world. A *Jerusalem Post* article in 2002 by Patrick Clawson encouraged this belief—by claiming that per-capita aid to the OPT is higher than the aid distributed during the

Marshall Plan and that the OPT receives the highest aid in the world. The article was later disseminated by pro-Zionist websites (Clawson, 2002).

While it is true that the OPT is among the highest recipients of aid worldwide, the OPT is not *the highest* recipient of worldwide aid—neither in terms of per-capita aid nor in terms of total aid. The graphs below will hopefully help dispel the myths about aid to the OPT:\*



\* The aid figures that will be presented here refer to the humanitarian and development aid disbursements in the OPT, based on the World Bank. The World Bank's calculations have been discussed above, in Chapter 2. The figures are updated for 2008, and annual data is available up until 2006. This means that the figures that are presented here only demonstrate the initial effect of the January 2006 elections in which the Hamas party won, and not the aftermath of the Unity government, which was established in 2007. Although some data exists for 2008, not enough data exists to conduct proper comparisons. The data presented here was collected from PCBS (Palestinian Central Bureau of Statistics, [www.pcbs.org](http://www.pcbs.org)), the World Bank's query service,



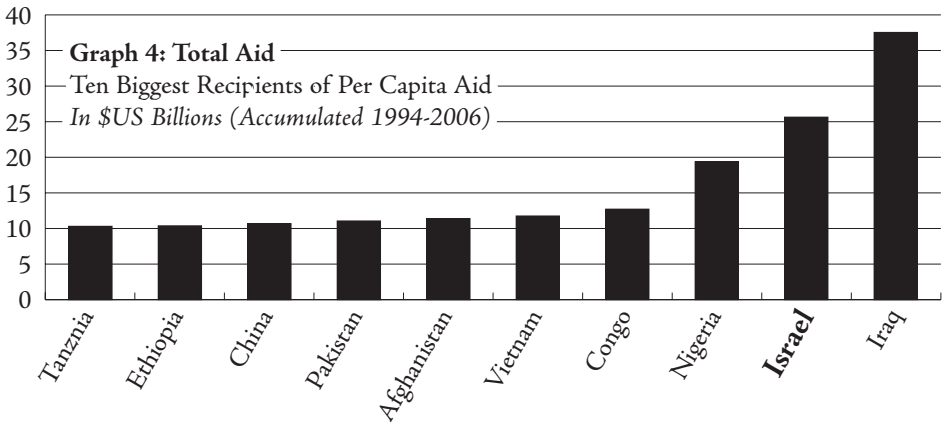
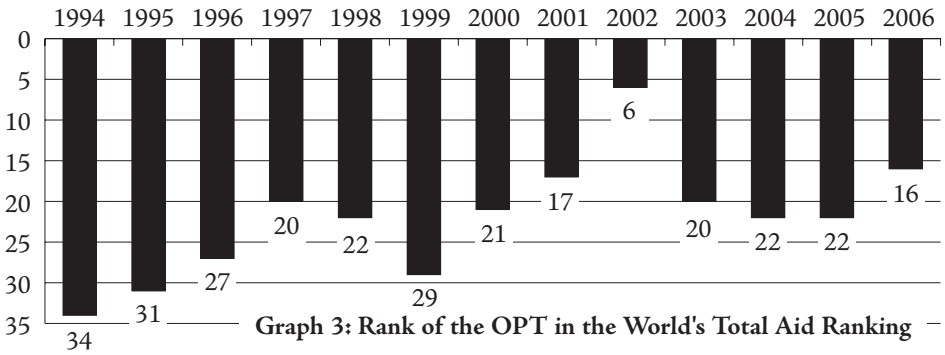
Graphs 1 and 2 above demonstrate that indeed there has been and continues to be a high level of foreign aid donated to the OPT between 1994 and 2006. It's interesting to note that 2002 saw a sharp increase of aid (86%) in an effort to contain the humanitarian crisis that was caused by Israel's disproportionate response to the Palestinian resistance during the second Intifada. Another interesting increase occurred in 2006, when despite the financial boycott of the

Hamas government, total aid actually increased by 31.5%. This increase can be attributed to the fact that many donors shifted their aid from the PA to "non-political" NGOs and additional funds were channeled to the PA through the TIM mechanism. The result was that total aid actually increased, even though the Hamas government itself was starved for funds (Erlanger, 2007a).\*

Graph 3, below, demonstrates that total aid to the OPT has been high

<http://devdata.worldbank.org/data-query>, the UN Demographic Yearbook System, <http://unstats.un.org/unsd/demographic/products/dyb/dyb2.htm>, and UNSCO, 1999, Report on the Palestinian Economy, [www.arts.mcgill.ca/mepp/unsco/palecon99/index.htm](http://www.arts.mcgill.ca/mepp/unsco/palecon99/index.htm). The figures include data on 210 countries. When appropriate, the figures on aid to Israel (see chapter 5.2) were added to the World Bank figures.

\* All the figures on aid to the OPT are in gross amounts, and do not take into account how much of that aid had to be paid to the Israeli government or to Israeli companies.

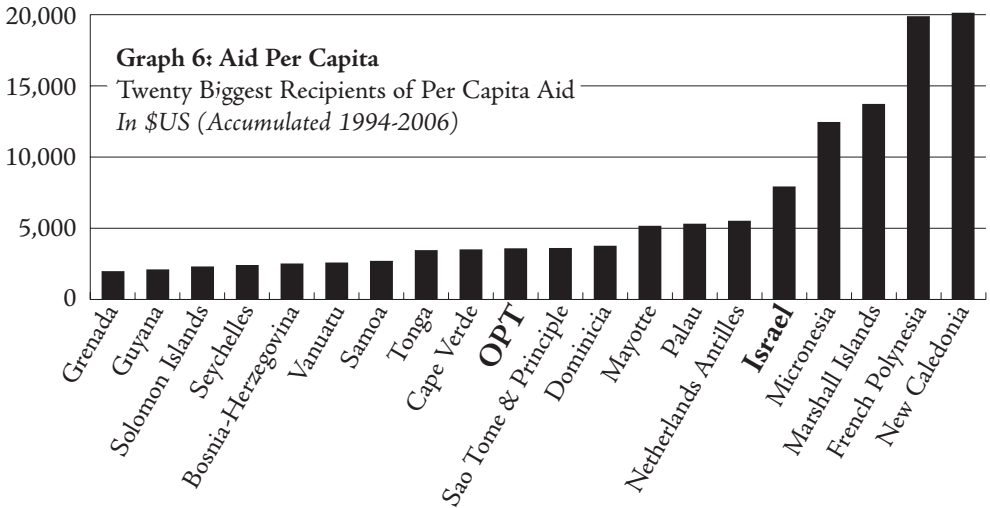
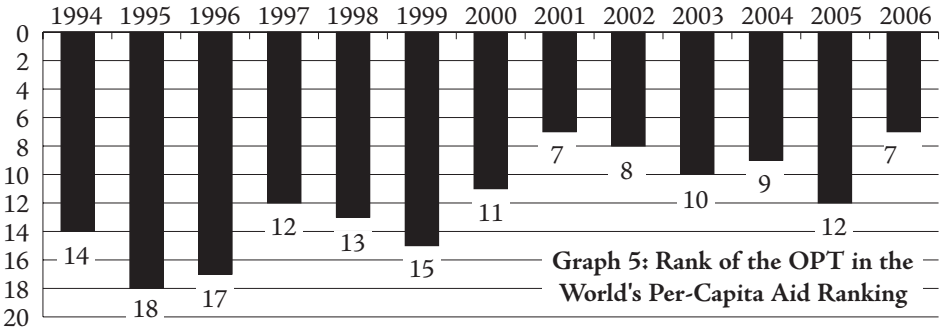


compared to most other countries in the world. As we can see, the OPT was ranked the 34<sup>th</sup> highest recipient of total foreign aid in 1994 and reached a peak of 6<sup>th</sup> highest in 2002. Nonetheless, as we can see in Graph 4, above, the OPT is not ranked among the top ten recipients of total aid (with the exception of 2002). This is not surprising as the population

of the OPT is small compared to other aid-receiving countries, such as the Democratic Republic of Congo, Ethiopia, Pakistan, Tanzania and Vietnam, which are ranked among the top recipients.\*

But to most accurately assess the level of aid sent to the OPT as compared to the level of aid sent to other countries—it is necessary to examine

\* See note on page 25.



the differences in terms of aid per-capita—rather than total aid. Because the population of the OPT is smaller than the population of many other aid-receiving countries, the OPT's position among aid receiving countries rises when the data is examined in per-capita terms. As we can see in Graph 5, there were between six and 17 countries which received more per-capita humanitarian aid than the

OPT in any given year since 1994. This disproves the claim that Palestinians are *the* highest recipients of per-capita aid. Graph 6 highlights the top 20 recipients of per capita aid between 1994 and 2006. As we can see from the graph, the OPT ranks as 11<sup>th</sup> highest recipient of aid worldwide. We can also see that Israel ranks as the 5<sup>th</sup> highest aid recipient, receiving more than the OPT.

When analyzing aid, it is also important to examine “aid dependency,” which is the ratio between aid and

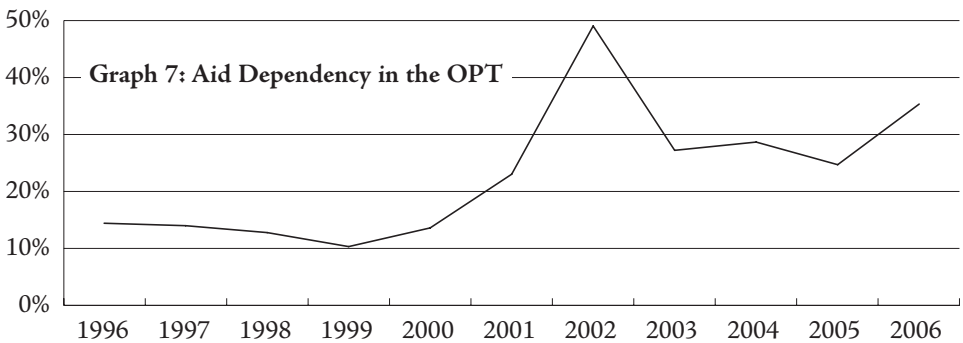
shows that aid dependency in the OPT has been gradually increasing since 1999, with a spike in aid dependency in 2002, when aid contributed nearly 49.05% of the Palestinian national income.

*Israel receives more aid than the OPT, in total as well as per-capita terms*

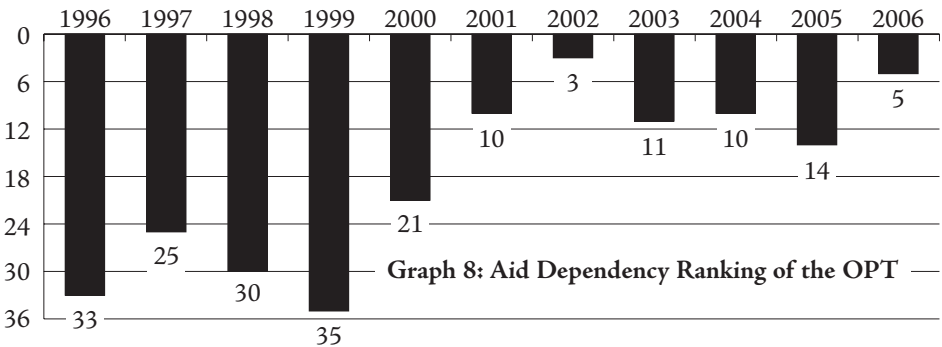
the country’s Gross National Income (GNI). Countries with a high ratio depend on aid as a large part of their income, compared to countries with a low ratio in which aid is a relatively small part of the local economy.\* Graph 7, below, demonstrates that Palestinians are receiving substantial aid relative to their locally earned income. But the aid does little to stave off the rapid deterioration of the Palestinian economy. The graph also

The growing dependency means that the economic growth of the OPT is not catching up with the growth in aid. Between 1996 and 2006, per-capita aid increased by 14.74%, but during that same period the GNI dropped by 27%. The result is that dependency has increased from 14.42% in 1996 to 35.34% in 2006.

According to the figures in Graph 8, below, the OPT ranks as more aid dependent than most other countries



\* See note on page 25. The OPT’s GNI for 2006 hasn’t been publicly released at the time of publication of this bulletin. An estimate was used based on the change in GDP per-capita during 2006, applied to the GNI of 2005 (OCHA, 2008).



Graph 8: Aid Dependency Ranking of the OPT

worldwide. Additionally, the graph demonstrates a gradual increase in its ranking—rising to the 5<sup>th</sup> most aid dependent country in 2006. During 2002, when there was a spike in aid to the OPT, there were only two countries with a higher aid dependency level: East Timor and Mozambique.

The growing dependency of the Palestinian economy on aid further restricts the options of donors, since the consequences of altering aid are more serious when the local population depends on aid so heavily. It is also important to note that the Gaza Strip is more dependent than the West Bank. The gap between aid dependency in the Gaza Strip and the West Bank widened when Hamas took over Gaza and international donors lifted the financial siege on the West Bank. Oxfam estimates that 85% of Gazans depended on aid in

2007 (Oxfam, 2007).

## 5.2 COMPARISON WITH ISRAEL

While the Palestinian economy has become highly dependent on foreign money to maintain basic subsistence levels, Israel's economy has been based on foreign donations from its very inception. Foreign donations, compensation and aid have been some of the most important building blocks of the fledgling Israeli state and have enabled Israel to maintain high imports, which countries of similar socioeconomic levels could not afford (Alexander, 1992). This is yet another indication of the region's importance in the eyes of international powers.

Despite the many economic difficulties Israel faces (due to the fact that it absorbs a large number of immigrants and conducts almost constant warfare with its neighbors) it

continues to compare itself with high-income countries in Western Europe and North America. Although Israel falls short of these countries when it comes to quality of life, it has gained financial strength, significant per-capita income and a disproportionately large influence on international markets during the past two decades (Landau, 2008).

It is important to clarify that Israel's strong economic position does not mean that Israelis are necessarily rich. Israel suffers from one of the worst rates of inequality in the western world; much of its income is consumed by the military-industrial complex and never reaches the general population (Ram, 2004 and Shalev, 2004). The World Bank's World Development Indicators for 2007 showed that Israel ranks as the 65<sup>th</sup> most equal country in the world (sorted by the Gini coefficient). This makes Israel more unequal than all other developed countries in the world except the US.

This unique economic situation

stems from Israel's reliance on a constant inflow of foreign currency. This money, which is usually donated rather than loaned, finances Israel's imports, government deficits and military costs.

This foreign capital comes from three main sources:

1. Aid from Jewish communities worldwide.\*
2. Aid from the US (mostly military aid).
3. Reparation payments for the Holocaust, a large proportion of which is appropriated by the state rather than disbursed to the actual victims and their families.

The US has been sending aid to Israel since 1949 (although the amounts increased significantly in 1973 and remained at about the 1973 level ever since). Aid consists of grants, loans (usually with preferred lending conditions), loan guarantees and other forms of assistance (Clyde,

---

\* The donations to Israel from Jewish communities are impossible to measure, since the donations are often given to specific institutions, companies, government agencies, and even directly to individuals.

2002). Most of the aid comes in the form of military assistance, and Isra-

*Since 1973, Israel has received more than US \$200 billion in (mostly military) aid from the United States*

el is the only country allowed to use parts of the grant money to purchase military equipment from its local military industry (Yom, 2008). If interest is added to the calculation, the total aid that Israel received from the US from 1973 to 2008 is over US \$200 billion (about three times the current annual budget of the Israeli government).\*

Reparations from Germany continue to flow to Israel decades after the end of World War II, although they are declining. Between 2005 and 2007, reparations averaged US \$732 million annually, about 1% of the Israeli government's annual budget (Israeli Central Bureau of Statistics, 2008a).

When US and German aid to Israel is added to the calculation, Israel

ranks as the fifth highest recipient of *per-capita* aid worldwide (for aid accumulated between 1994 and 2006). In terms of *total* aid (accumulated during that same period), Israel ranks as the second highest aid recipient—with Iraq being the highest.\*\*

Following the US invasion of Iraq in 2003, Iraq surpassed Israel and became the biggest recipient of aid. The US invasion of Iraq wasn't merely a military invasion but also an economic invasion, with massive efforts to rebuild the Iraqi economy in accordance with US interests. Aid to Iraq was funneled to international and (especially) US-based private companies. These companies profited from the occupation of Iraq and even influenced the US government in designing the plan

---

\* The calculation is based on an annual interest rate of 3.5%. Israel's budget is reported on the web site of the Israeli Ministry of Finance: [http://www.mof.gov.il/mainpage\\_eng.asp](http://www.mof.gov.il/mainpage_eng.asp). The sums are in 2007 prices.

\*\* The World Bank's aid comparisons (upon which the graphs above are based) do not include foreign aid and compensations to Israel. Those were added to the figures in order to provide a better comparison of aid.



to invade Iraq (Klein, 2007).

By comparing the level of aid to the OPT with the level of aid to Israel—it is evident that Israel enjoys a superior position. Aid has failed, therefore, to narrow the gap in power between occupier and occupied.

Most importantly, aid to the Palestinians comes mostly in the form of food and medicine, education and

relief. Israel, however, receives most of its aid in the form of weaponry.

As aid to the PA increased in 2006-2007, the US made sure that the aid gap did not narrow, by authorizing an aid package of US \$30 billion to Israel, to be disbursed over the decade of 2008-2017 (Erlanger, 2007b).

## 6. Obstacles to Aid and the Aid Trap

*“Although the peace process collapsed with the start of the 2000 Intifada, aid has continued to prop up structures such as the Palestinian Authority (PA)... Aid today, therefore, lacks the political framework of a peace agreement. But without it the Palestinian economy would almost certainly collapse. That would provoke a calamity in terms of human suffering, further inflame violence and increase instability.”*

— David Shearer (Shearer, 2004)

**B**illions of euros are sent to the OPT, both in the form of food and goods and as salaries for relief workers, in a seemingly unending effort to relieve the suffering of the Palestinian population. Aid is a political phenomenon and in the case of the OPT it is both essential and damaging. On the one hand, the

*Those who fail to keep the end of the occupation as the focus of their work, run the risk of achieving the opposite result*

Palestinian economy is currently incapable of supporting the Palestinian population, and the aid keeps wide-

spread famine and illness at bay. On the other hand aid also undermines the political struggle of the Palestinians, “normalizes” the situation of the occupation and delays a permanent solution.

Decades of aid efforts have created their own momentum, and agencies have fallen into routines. Those that fail to keep the political goal of ending the occupation as the focus of their work, run the risk of achieving the opposite goal, with their efforts co-opted to help fund the illegal Israeli occupation of the OPT (Hoseini, 2006).

## 6.1 IS AID REALLY NEEDED?

Since aid to the Palestinians is so high, and sustained over so many years, the question of its necessity arises often. This is especially so since many donors to the OPT do not hide their political agendas regarding aid (for example, support for a sovereign Palestinian state). Furthermore, conditions in the OPT, though harsh, are not as disastrous as those in famine-stricken parts of Africa and East Asia.

Nevertheless, the need for aid in the strangled Palestinian economy cannot be ignored. According to a survey taken by the Palestinian Ministry of Planning in 2003, 26% of Palestinians listed food as their most urgent need (Ministry of Planning, 2003).

A report published by the UN that same year affirmed that food security in the OPT was rapidly deteriorating, noting for example that average food prices jumped by 8% in 2003 while the average income fell. The report went on to say that 1.4 million people in the OPT were suffering from food insecurity, with 1.1 million more in

immediate danger of becoming food insecure (in total, 70% of the Palestinian population). Malnutrition (at various levels) had hit large parts of the Palestinian population, especially children and women of reproductive age (UN, 2003).

The UN report of 2003 has become outdated, however, as several economic events in the OPT have rapidly made the humanitarian situation even worse than before. The boycott of the Hamas government, which began in March 2006, caused thousands of Palestinians employed by the PA to stop receiving their wages for months (USA Today, 2007). In 2006, 18.5% of Palestinians were defined as living in chronic poverty (UN, 2008a).

While the establishment of the Fayyad government stabilized conditions in the West Bank, the humanitarian crisis continued to develop in the Gaza Strip, especially as the Israeli siege made it more difficult to ship sufficient goods—even food—into Gaza. The Hamas leadership responded by breaching the border with Egypt in January 2008, allowing thousands of Gazans to enter Egypt in order to stock up on

supplies\* (BBC, 2008).

Despite this, the UN reported a decline in medical services, a shortage of medical supplies, increasing unemployment, chronic poverty, an acute shortage of safe drinking water, a steep increase in food prices and deaths and injuries from Israeli attacks (UN, 2008b).

Israeli Brigadier-General Zvi Fogel even admitted that “there is no death by natural causes in Gaza”—a combination of poor water quality, lack of food, woefully inadequate health services and frequent bombings of civilian neighborhoods convinced this officer that old age is no longer a possible cause of death in Gaza (Feldman, 2007).

Therefore, aid is certainly required to stave off massive death in the OPT. However, Palestinians themselves are suspicious of aid. They realize that in addition to serving as a stop-gap preventing disaster, it also reinforces the occupation and hinders political advancement towards a solution. These

views are reflected in surveys (such as the Ministry of Planning survey mentioned above).

## 6.2 LEGAL CONCERNS

One of the ways in which agencies can inadvertently aid the occupation is by creating parallel services. Development and humanitarian projects that deal with education, sanitation, healthy, energy and transportation are often designed to complete and mesh with the services provided by the Palestinian Authority. However, when the internal closures, the Wall of Separation, flying checkpoints and other limitations on movement imposed by Israel sever the connections between people and the services that they need (such as pupils unable to reach their school), the project managers often see a need to adjust to the new realities by creating a parallel service for people trapped on the other side of the checkpoint or the Wall. However, such adjustments are risky, because

---

\* In January 23<sup>rd</sup>, 2008, tens of thousands of Palestinians from Gaza broke through the border fence separating them from Egypt and entered the Sinai peninsula in order to stock up on food and other supplies, due to the acute shortage that had accumulated in Gaza since the 2005 Israeli withdrawal.

they undermine the role of the PA. Such adjustments inexplicitly accept and acknowledge illegal acts committed by the Israeli authorities and ultimately help the Israeli authorities conceal the true consequences that their actions have on the Palestinian population (Fast, 2006).

Agencies opting to make adjustments when their projects are blocked by Israel do not merely undermine their ultimate interests by helping to cement the occupation, but they also take a more personal risk, as such actions could make them liable for prosecution. In fact, the decision of the International Court of Justice regarding the illegality of the Wall of Separation also deems projects that accept and adjust to criminal activity by Israel (such as the Wall) illegal. Thus, aid agencies, which adjust to Israel's criminal activity, are considered collaborators with war crimes. Parallel services created on both sides of an Israeli obstacle could be seen as a kind of acceptance since humanitarian and development action is virtually impossible without coordination with the Israeli army. For example, agencies that wish to send a truck to a location

in the West Bank or the Gaza Strip must first coordinate with the Israeli army for a permit. This coordination puts the agencies under constant pressure to violate international law and abide by the recommendations of the Israeli army. Indeed, many aid workers have reported feeling uncomfortable about indirectly allowing Israel to evade its obligation to comply with international law (*ibid.*).

In addition to the possibility of being prosecuted for collaborating with war crimes, another possible repercussion facing aid agencies working in the OPT—is being sanctioned by their donors if they have contact with the Hamas Party or any organizations affiliated with it. The agencies are under strict orders not to have any contact with Hamas. The US and European boycott of the Hamas government has made it difficult for the agencies to maintain normal operations. Specifically, they are limited in their hiring processes, fearing that they might hire staff affiliated with the Hamas Party. Agencies were also forced to exercise extreme caution when cooperating with local organizations, for fear that they might be affiliated with Hamas

and thus sanctions could be taken against them (Fast, 2006).

### 6.3 OBSTACLES CREATED BY ISRAEL

Not only do aid agencies face legal obstacles to providing aid to the OPT, but they also find it increasingly difficult to provide services because Israeli actions hinder, endanger and jeopardize their efforts. For instance, Israel restricts movement in the OPT — severely impeding aid workers by limiting their access to necessary materials and labor. Also, Israel often prevents Israeli and Palestinian staff members working for a single aid agency from meeting each other (ibid.). Additionally, the Israeli government has the ability to severely limit the hiring choices of aid organizations. It can withhold visas from workers coming from certain countries, or workers who appear to have agendas which Israeli officials

*Israeli authorities can hinder the work of agencies which they disapprove of*

oppose. Israeli officials are implementing these measures against agencies of which they disapprove (ibid.).

Another obstacle for aid workers in the OPT is a lack of security. Aid workers have reported a noticeable decline in their own security in recent years. Their daily work is threatened by Israeli military attacks (directed either at them or at nearby targets), settler attacks, risk from proximity to internal Palestinian clashes and Palestinian attacks on aid workers (e.g.—the kidnapping of Western aid workers). Among those risks, the most dangerous and lethal are the attacks carried out by Israeli forces and settlers (ibid.).

As a result of all the aforementioned obstacles, aid workers report that they feel no project can go forward without Israeli approval (Hoseini, 2006).

Despite the fact that the Israeli government perceives aid to the Palestinians as coinciding with its interests, the Israeli authorities place considerable obstacles on the normal operations of aid. The interference is so great that UN agents have said, “We don’t know of another conflict area in the world where we’ve had these problems—even in Kosovo.” The United

Nations Special Coordinator Office for the Middle East Peace Process (UNSCO) claims that Israeli imposed closures reduce the effectiveness of aid by blocking access to those in need. The fact that Israel continues to create obstacles for aid agencies suggests that Israel sees aid to the OPT

and a sovereign Palestinian state has not materialized. Instead, the flow of foreign funds was absorbed into the Israeli economy, or was lost.

Because of the Paris Accords, it is often cheaper to import goods to the OPT from Israel than from neighboring countries. Thus, aid agencies often

import the materials that they need (whether for their own

*It is often cheaper to import goods to the OPT from Israel than from neighboring countries*

as a double-edged sword; On the one hand, aid helps Israel control the territories. On the other hand, Israel feels threatened because aid also empowers Palestinians. Thus the Israeli government itself is ambivalent about whether or not it supports the idea of foreign aid to the OPT. (UNSCO 2002; Magnier 2002; Irin 2008).

operation or to distribute to the Palestinian population) from Israel. This creates a steady and lucrative business for Israeli companies. Much of the aid money thus ends up in the Israeli economy (Karmi, 2005).

Most aid agencies prefer development aid to humanitarian aid, but Israel's policies make development nearly impossible to achieve. Therefore, donors often funnel development aid into emergency funds, especially in the wake of the second Intifada starting in 2001—in order to prevent a humanitarian crisis. Humanitarian and emergency aid is preferred by Israel because it doesn't create new businesses in the OPT, which would compete with Israeli

#### 6.4 SUBVERTING AID

Even when aid projects are allowed to operate normally, the results of the aid do not always advance the causes prescribed by donors and aid agencies. The aid efforts that were sustained for over 14 years have failed to end or even alleviate the occupation,

businesses (Fast, 2006).

Meanwhile, aid undermines the collective self-esteem of Palestinians by putting a greater emphasis on local problems and foreign solutions, and less emphasis on local solutions (Hoseini, 2006).

Aid agencies are usually committed to neutrality. However, in practice neutrality is often replaced by a “balanced” approach in which the middle-point is sought between the two conflicting sides. When those conflicting sides are Israel and the oc-

cupied Palestinians, the framework of the struggle is determined by the occupying force, and therefore the middle-point is an outcome of the structures imposed by Israel. When Israeli forces increase the level of violence against and repression of the Palestinians—they also force the aid agencies to shift their position into one that is more accommodating to these policies, and therefore the so-called neutrality of aid agencies is in fact heavily influenced by the Israeli side of the conflict (*ibid.*).



## 7. Political Context

*“We have created the cheapest occupation.  
We support Israel with our money and our silence.”*

— Quote by a Swedish aid worker in the OPT

### 7.1 AID REFLECTING DONOR POLITICS

Currently, there is no coherent plan in place that strives to link aid efforts with Palestinian sovereignty and end the Israeli occupation. There are several reasons for the absence of such a plan. Firstly, many donors are realizing with growing alarm that their aid efforts have been subverted by Israel. And although donors are no longer promoting a solution to the conflict, they cannot simply stop aid unilaterally. Such a move would precipitate a collapse in the OPT, probably followed by an escalation of violence.

Secondly, aid to the OPT must be understood within the context of the global neoliberal agenda—which

intends to foster the private sector and open up the Palestinian economy to foreign investment and influence (Hoseini, 2006).

Third, donors use aid as a means to create a diplomatic foothold in the OPT, since the Palestinians don't have a sovereign state, and aid agencies serve as substitutes for political envoys. This attempt to establish good relations with the Palestinian people has met with limited success, since it was not accompanied by sufficient pressure on Israel to comply with international law, and thus raised the suspicions of Palestinians that aid is not truly in their best interest (Le More, 2008).

Meanwhile, pro-Israeli factions exert a great deal of pressure on donors. Many of them believe that sending aid

to the OPT is a pro-Palestinian act—and that aid supports Palestinians’ political aspirations. Many also believe that providing aid to the Palestinians undermines the punitive measures undertaken by the Israeli military against the Palestinian population. These critics point to the high levels of aid sent to the OPT; yet rarely do they highlight the level of aid that Israel receives (see for example Clawson, 2002).

## 7.2 INTERESTS BEHIND AID

*“We cannot shut our eyes to the deterioration of the Palestinian Authority, which could result in the disintegration of the Authority and its institutions, and will undermine the chances for peace.”*

— **Quote by Shaul Mofaz, Israel’s minister of defense early 2004 to representatives of donor countries and aid agencies (Ben, 2004)**

There is a wide network of groups, involved in the complex system of donating and allocating aid to the OPT—as well as monitoring its distribution. Aid creates contacts between donors

and aid agencies with the local population and its leadership. The aid network is fragile and relies on the agreement of both donors and recipients to continue to function. Each of the groups has different political incentives. The following is a brief summary of the main groups, which play a part of the system and their respective interests:

**The Palestinian population:** Obviously the people who need assistance in order to survive have an interest in the continuation of aid. Palestinians also have the option either to protest and resist aid or to welcome it. Even though many Palestinians believe that the aid actually helps Israel continue its occupation of the OPT (Hanafi & Tabar, 2004), the alternative—living under a brutal occupation without assistance—is even more frightening. Furthermore, many Palestinians work either for the aid agencies directly or for the NGOs that are accountable to them, creating a class of workers that rely on aid for their employment (Hanafi & Tabar, 2005).

**The Palestinian Authority (PA):** The Palestinian leadership, be it Fatah, Hamas or the Fayyad government,

realizes that aid is necessary to avoid mass famine in the OPT. The PA must make compromises to donors, and attempt to accommodate their demands, but it has no choice but to keep asking for more aid, since aid is crucial to maintaining a semblance of political

*Aid is crucial to maintaining the PA's budget and political stability*

stability in which the leadership can maintain its political power. Furthermore, some of the aid is directed to the Palestinian Authority itself and to its various institutions. Since the PA lacks sufficient sources of income to maintain itself through taxes, aid has become essential for its continued existence (IMF & World Bank, 2007).

**Arab and Muslim donors:** the total amount of aid from Arab countries and Muslim institutions to the OPT is not known. Nevertheless, these donations are an important source of income. We know, for example, that Arab countries pledged 19.8% of the donations promised in the Paris donor's conference in 2007 (Awad, 2008). Furthermore, they played a

crucial role in the Hamas Party's victory in the 2006 elections and in its struggle to stay in government despite the international boycott imposed by Western countries (Gordon & Filc, 2005; Fast 2006). Many Arab and Muslim donors want to prevent the Palestinians from becoming pawns of Western interests. They are also interested in improving their own public image. And finally, their donations allow them to influence internal Palestinian politics (Bahmad, 2007).

**International NGO workers:** international NGOs play a key role in disbursing donors' money. By managing projects and distributing services, they have a strong impact on shaping aid. Many educated internationals are eager to find employment with NGOs in different parts of the world—including the OPT. Industrial production jobs in Western Europe and the US are not increasing at the same rate as the population growth (partially because of automatic processes and robotics and partially because of intense competition from exports from countries with low wages). Thus, edu-

cated Europeans and North Americans find NGO work a viable substitute. NGO workers in the OPT find that cheap living expenses make up for the reduced pay, and that job satisfaction from doing socially-important work can compensate (to a certain extent) for the difficulties that the work often entails (Strasser, 2003).

**International donors:** European countries—and to a lesser extent, the US and Japan—are the major source of donations to the OPT. These do-

*European countries—and to a lesser extent, the US and Japan—are the major source of donations to the OPT*

nations are not simply the result of philanthropic feelings on behalf of donors, but also a result of their political interests in the region. Since the Middle East is one of the largest sources of world oil, there is a strong correlation between wars in the Middle East and the price of oil (Bichler & Nitzan, 2006). A humanitarian crisis in the OPT can quickly deteriorate the political stability of the entire region and lead to a further increase in oil prices.

Furthermore, the centrality of the Israeli-Palestinian conflict in the international media also means that countries that contribute to its resolution gain political capital as a consequence.

**Israeli workers:** although not directly affecting aid, Israeli workers are indirectly benefiting from it, and have an influence on the Israeli government, mostly through their demands for employment and high wages. Israeli workers benefit from aid to the OPT because aid allows Palestinians

to survive without working, and thus helps Israeli workers to avoid competition from the adjacent Palestinian population.

In many instances, Palestinians are actually prevented from working by the Israeli authorities because the military prevents them from reaching their workplace, accessing raw materials and selling their merchandise abroad. Yet they continue to consume (albeit at low levels) thanks to aid—turning Palestinians into ideal consumers, who cannot compete with Israeli industries. Competition can potentially arise both from Palestinian workers who find employment in

Israel or from cheap goods imported to Israel from the OPT. Both forms of competition are blocked by Israel's checkpoint policy, but aid provides work to Israeli workers in companies that export to the Palestinian market.

**Israeli companies:** Israeli companies are not directly involved in Israel's policies regarding aid, but their influence and lobbying power over Israeli decision makers is significant. Israeli companies reap many benefits from foreign aid to the OPT. They generate enormous income from selling consumer goods to the Palestinian population. And the Palestinians are able to pay for these goods only as a result of foreign aid. In fact, the OPT is Israel's second largest export market (after the US), with exports worth US \$2.3 billion in 2007 (ICBS, 2008). Unlike Palestinian trucks, Israeli trucks can usually cross Israeli checkpoints, or deliver goods to Palestinian trucks through the back-to-back system\* and are therefore able to supply Palestinian stores with Israeli merchandise. Additionally, Israeli

companies sell goods (mostly food) to the international aid agencies—which in turn distribute the goods to the Palestinians. Because of the Paris Accords, importing cheaper food from nearby countries is often actually more expensive, because then the agencies must pay customs. Buying food from Israeli companies exempts the aid agencies from paying customs. Finally, the PA and aid agencies often use aid funds to pay for utilities provided by Israeli companies, utilities for which they pay high prices, sometimes higher than the prices paid by Israeli citizens for the same services (World Bank 2004a, Rubinstein, 2004). Altogether, the UN estimates that 45% of aid sent to the OPT flows back into the Israeli market (Karmi, 2005).

**The Israeli government:** as stated in Chapter 6.3, the Israeli government has a great deal of control over aid and can block it at will. However, the Israeli government benefits from aid. Firstly, it boosts the Israeli economy. In 2005, 70.2% of total imports to the OPT came from Israel, while 86.7%

---

\* The "back-to-back" system is an Israeli regulation that allows certain goods but not vehicles to cross into or from the areas under the PA's control. Trucks are brought into open spaces under strict military supervision and goods are loaded from one truck to the other.

of total exports from the OPT went to Israel. Nevertheless, the Palestin-

*Aid contributes to Israel's trade balance, providing jobs, taxes and profit to Israel*

ians had a trade deficit with Israel that year, of US \$1.58 billion, meaning that the Palestinians imported more than they exported (PCBS, 2008). This trade imbalance is effectively funded by aid, and it contributes to Israel's trade balance every year, providing jobs to the Israeli market, taxes to the Israeli government and profit to Israeli capitalists.

More importantly, aid benefits the Israeli government because it lifts the

burden of responsibility from Israel's shoulders. As long as aid prevents

mass famine in the OPT, the Israeli government can continue to

shirk its responsibility for the well being of the Palestinian population under its control.

Israel can therefore evade the international pressure that would be applied if thousands of Palestinians began to perish under occupation. Israel can keep up a façade that it is considerate to the needs of the occupied population and pretend that its occupation is a humane one (Azoulay & Ophir, 2008).

## 8. Conclusion: the Long Term Impact Aid

At first glance, it seems that international assistance is a blessing to the Palestinians, as it supports a minimum standard of living and prevents further disaster. However, the aid is in fact co-opted by Israel as a source of income that helps fund the occupation. It is important to discuss the disempowering effects of aid on Palestinians and especially on their struggle for their political and human rights.

Palestinians are viewed as perpetual aid recipients, whose condition never improves and is always in a state of crisis despite the billions invested in their welfare (Fraser, 2004). This image ultimately disempowers Palestinians and damages their self-image. Palestinians are usually aware that their own economic ability cannot compete with the economic force wielded by their donors. Thus, many Palestinians look to outside help in ending the Israeli occupation, because they are demoralized about the grassroots struggle (Fast, 2006).

Donors and even PA officials have begun to discuss the “culture of en-

titlement” which has developed in the OPT as a result of aid (Hanieh, 2008; Fast, 2006). The word “entitlement” is used here to imply that Palestinians ought to be grateful for the aid, which they receive, and that when they grow accustomed to it, they become ungrateful, lethargic, self-centered and even spoiled. The reasons that Palestinians do not always feel grateful for aid have already been discussed above. But it is important to note that aid is also creating an additional erosion of Palestinians’ rights, by turning their *actual* entitlements—their right to movement, work, housing, free expression etc.—into charities, bestowed upon then by international donors. This masks the true cause of their suffering: the Israeli occupation.

Meanwhile, donors, especially the World Bank, are pushing forward their own political agenda for the Palestinians—neoliberal reform which gives priority to the private sector and cuts back on government services (Hanafi & Tabar, 2004).

Aid has transformed Palestinian society in many ways. The NGO

sector has grown very large and has become one of the major forms of income for the Palestinian economy,

*The abrupt cessation of aid could have catastrophic repercussions for the Palestinians, including mass famine and thousands of deaths*

replacing remittances from jobs in Israel and the Gulf states. The NGO sector, however, usually seeks to employ people who are not politically active. The World Bank's influence over the distribution of aid money further accentuates this trend, as the World Bank seeks to "depoliticize" aid (Hanafi & Tabar, 2004). As a result, the Palestinian resistance to the occupation is disempowered and forms of non-violent resistance are co-opted by aid agencies, thus losing their radical nature. Fear of losing one's job and jeopardizing the income of family and friends because of aid conditions and project requirements tie the hands of Palestinian activists.

Those who refuse to give up their national struggle due to donor pressures are becoming more frustrated,

and sometimes see no other way to mount an effective resistance than using violence—not only against the

Israeli occupiers but also against foreign aid workers and Palestinian NGO workers, whom they see as collaborators. This

obviously undermines Palestinian solidarity, reduces the effectiveness of non-violent action, and threatens the goals set by donors.

Although the abrupt cessation of aid could have catastrophic humanitarian repercussions for the Palestinians, including mass famine and thousands of deaths, donors must reconsider the existing modes of aid, how to reform them and how to avoid playing into the hands of the Israeli government.

Without a public and democratic debate among Palestinians about the preferred way to spend aid money, and about conditions for aid projects, aid is likely to continue to miss the mark and end up reinforcing the existing power relations between the occupiers and the occupied.



As the occupying power in the Palestinian Territories, Israel has certain obligations regarding the welfare of the occupied population, as is stipulated under *The Fourth Geneva Convention*. Those obligations are translated into a financial burden. However, the bulk of that burden is currently being covered by funds from foreign aid to the Palestinians. So, when Israel implements unilateral policies that are detrimental to the welfare of Palestinians (for example, destroying a Palestinian hospital) it currently does not absorb the financial consequences of such actions. Instead, foreign donors are. Thus, Israel has come to rely on foreign aid. This dependency creates a real opportunity for donors to improve the political situation of the Palestinians by using their leverage over Israel and demanding that it cooperate and demonstrate its willingness to comply with international law.

Yet aid has created a real opportunity to improve the political situation, because Israel has become dependant on it, and has come to rely on aid as a substitute for considering the well-being of the Palestinian population when planning and implementing

unilateral strategies. Donors thus have leverage over the Israeli government and they can use it to demand that the Israeli government cooperate and demonstrate its willingness to comply with international law.

Donors need to publicize it when their projects are disrupted or even destroyed by Israel, and reveal the unfortunate fate of their projects to the tax-paying citizens of their countries. This can help to quickly educate millions of people around the world about the Israeli occupation. The silence of the donors and project managers allows Israel to continue to disregard the fate of Palestinians.

Only when donors decide to publicize Israel's disruption of their projects in the OPT, will the Israeli government be held accountable for its actions. Such an exposure would force Israel to examine the ways its actions damage the Palestinian population, consider the implications of its ongoing suppression of the Palestinian economy and evaluate the chances for achieving a just resolution to the conflict—thus, increasing the likelihood that Israel end the occupation.

**BIBLIOGRAPHY**

- ♦ Alexander, Esther, "Immigration Economy in the First Decade of the State of Israel," *Discussions in the Foundation of Israel [Iunim Bitkumat Israel]*, Vol. 2, 1992.
- ♦ Alternative Information Center, "Palestine Investment Conference Opens in Bethlehem," *The Alternative Information Center Website*, May 22<sup>nd</sup>, 2008.
- ♦ Amr, Wafa, "Palestinian Factional Divide Shredding Society," *Reuters*, July 13<sup>th</sup>, 2008.
- ♦ Arnon, Arie; Luski, Israel; Spivak, Avia and Weinblatt, Jimmy, *The Palestinian Economy, Between Imposed Integration and Voluntary Separation*, New York and Koln: Brill, Leiden, 1997.
- ♦ Associated Press, "EU to Revamp Aid Earmarked for Palestinians," *Jerusalem Post*, January 27<sup>th</sup>, 2008.
- ♦ Awad, Nadia W., "An Economic Snapshot of Palestine and the PRDP," MIFTAH, October, 2008.
- ♦ Azoulay, Ariella and Ophir, Adi, *This Regime Which is Not One: Occupation and Democracy Between the Sea and the River (1967-)*, Tel-Aviv, Resling, 2008.
- ♦ Badil, "Palestinian Civil Society Calls for Boycott, Divestment and Sanctions against Israel Until it Complies with International Law and Universal Principles of Human Rights," 2005, <http://www.badil.org/Boycott-Statement.htm>.
- ♦ Bahmad, Layla, *Palestinian Non-Governmental Organizations Caught Between Reality and Challenges*, Dissertation, Kassel University, May 2007.
- ♦ BBC, "Gazans Flood Through Egypt Border," *BBC News*, January 23<sup>rd</sup>, 2008.
- ♦ Ben, Aluf, "Sharon: I Hope a Day will Come When We Won't be in the Strip," *Ha'aretz*, January 14<sup>th</sup>, 2004.
- ♦ Berkowitz, Michael, *Western Jewry and the Zionist Project 1914-1933*, Ohio: Ohio State University, 2003.
- ♦ Bichler, Shimshon and Nitzan, Jonathan, *From War Profits to Peace Dividend: The Global Political Economy of Israel*, Jerusalem: Carmel, 2001.
- ♦ Bichler, Shimshon and Nitzan, Jonathan, "Cheap Wars," *Economy of the Occupation*, Vol. 10, Jerusalem: The Alternative Information Center, 2006.
- ♦ Broederlijk Delen, "The EU's Financial Assistance to the OPT: Can PEGASE Correct the Shortcomings of the TIM?," Broederlijk Delen and Trocaire, joint memorandum, July 2008.
- ♦ Clawson, Patrick, "Aid to Palestinians Exceeds Marshall Plan Aid to Europe," *Jerusalem Post*, August 9, 2002.

- Clyde, Mark R., "Israel: U.S Foreign Assistance," *Issue Brief for Congress*; Received Through the CRS Web, Foreign Affairs, Defence and Trade Division, October 17, 2002.
- Clyde, Mark R., "Israel: U.S Foreign Assistance," *Issue Brief for Congress*; Received Through the CRS Web, Foreign Affairs, Defence and Trade Division, April 26<sup>th</sup>, 2005.
- Cork, Dan, "The Palestinian Economy Post Oslo: Unsustainable Development," Information Brief, *The Jerusalem Fund*, July 11<sup>th</sup>, 2001.
- Dagoni, Ran, "The World Bank Might Help Buy the Homes of Evacuees," *Globes*, May 13<sup>th</sup>-14<sup>th</sup>, 2005.
- European Commission, "Commission Launches PEGASE – A New Mechanism to Support the Palestinian People," Press release, January 28<sup>th</sup>, 2008.
- The Economist, "Chickens and Eggs," *The Economist*, April 24<sup>th</sup>, 2008.
- Electronic Intifada, "Gaza 'Almost Completely' Aid-Dependent," *Electronic Intifada*, July 28<sup>th</sup>, 2007.
- Erlanger, Steven, "Aid to Palestinians Rose Despite an Embargo," *The New York Times*, March 21<sup>st</sup>, 2007.
- Erlanger, Steven, "Israel to Get \$30 Billion in Military Aid From U.S.," *The New York Times*, August 17<sup>th</sup>, 2007.
- Farsakh, Leila, "Palestinian Labor Flows to the Israeli Economy: A Finished Story?" *Journal of Palestine Studies*, 125, Vol. XXXII, 1, Autumn 2002, pp. 13-27.
- Fast, Larissa, "Aid in the Pressure Cooker: Humanitarian Action in the Occupied Palestinian Territory," *Humanitarian Agenda 2015*, Case Study no. 7, Feinstein International Center, November 2006.
- Feldman, Yotam, "I'm to Blame, We Are to Blame," *Ha'aretz*, December 21<sup>st</sup>, 2007.
- Fraser, Nancy, "From Distribution to Recognition? Dilemmas of Justice in a 'Post-Socialist' Era," in: Ram, Uri and Filc, Dani, *The Power of Property: Israeli Society in the Global Age*, Van Leer Institute, Hakibutz Hameukhad, Tel-Aviv, 2004, pp. 270-297.
- Gazit, Shlomo, "The Held Territories: Five Years," Internal Report, the Civil Administration, Ministry of Defense, 1972.
- Gazit, Shlomo, *Trapped Fools: Thirty Years of Israeli Policy in the Territories*, London: Frank Cass Publishers, 2003.
- Golani, Motti, *Israel in Search of a War: The Sinai Campaign, 1955-1956*, Portland and Brighton: Sussex Academic Press, 1998.

- ♦ Gordon, Neve and Filc, Dani, " Hamas and the Destruction of Risk Society," *Constellations*, Vol. 12, No. 4, 2005, pp. 542-560.
- ♦ Graham, Stephen, "Clean Territory: Urbicide in the West Bank," *Open Democracy*, August 7<sup>th</sup>, 2002.
- ♦ Haijjar, Lisa, 2001, "Human Rights in Israel/Palestine: The History and Politics of a Movement," *Journal of Palestine Studies*, Vol. XXX, No. 4, Summer 2001, pp. 21-38.
- ♦ Ha-Joon, Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press, 2003.
- ♦ Hanafi, Sari and Tabar, Linda, "Donor Assistance, Rent-Seeking and Elite Formation" in Amundsen, Inge; Husain Mushtaq; Giacaman Khan and Giacaman George (eds.), *State Formation in Palestine: Viability and Governance During a Social Transformation*, Routledge Curzon, London/New York, 2004, pp. 250-283.
- ♦ Hanafi, Sari and Tabar, Linda, *The Emergence of a Palestinian Globalized Elite; Donors, International Organizations and Local NGOs*, Jerusalem: Institute of Jerusalem Studies, 2005.
- ♦ Hanieh, Adam, "Palestine in the Middle East: Opposing Neoliberalism and US Power," *MRZine*, July 19<sup>th</sup>, 2008.
- ♦ Hoseini, Nasrin, *Co-opting Resistance*, Master's Thesis, University of Stockholm, March 2006.
- ♦ Israeli Central Bureau of Statistics, *Statistical Yearbook 2007*, Jerusalem, 2008.
- ♦ International Monetary Fund and the World Bank, *West Bank and Gaza: Economic Development 2006 – A First Assessment*, March 2007.
- ♦ IRIN, "Movement Restrictions Limiting Benefits of Aid – World Bank," *IRIN, UN Office of Coordination of Humanitarian Affairs*, May 3<sup>rd</sup>, 2008.
- ♦ Karmi, Ghada, "With no Palestinian State in Sight, Aid Becomes an Adjunct to Occupation," *Guardian*, December 31<sup>st</sup>, 2005.
- ♦ Klein, Naomi, *The Shock Doctrine.*, London: Penguin Books, 2007.
- ♦ Landau, Pinhas, "Dealing with the Wealth," *Eretz Aheret*, Vol. 43, January-February 2008, pp. 42-46.
- ♦ Le More, Anne, "Killing with Kindness: Funding the Demise of a Palestinian State," *International Affairs*, Vol. 81, no. 5, 2005, pp. 983-1001.
- ♦ Le More, Anne, *International Assistance to the Palestinian after Oslo: Political Guilt, Wasted Money*, New York: Routledge, 2008.
- ♦ Magnier, Mark, "Israel Impedes Relief Efforts, Aid Groups Say Israel Impedes

- Relief Work," *Los Angeles Times*, June 11<sup>th</sup>, 2002.
- ✦ Ministry of Planning, 2003, <http://www.mop.gov.ps/en/facts/>.
  - ✦ Morli, Andrea, *Palestine; Economy, Development Aid and Higher Education in International Cooperation*, International University Masters in Cooperation and Development, VII Edition, 2004.
  - ✦ Nashashibi, Karim, "Palestinian Finance Under Siege: Economic Decline and Institutional Degradation," paper commissioned by the UN, OCHA, April 2007.
  - ✦ Office of Coordinating Humanitarian Affairs, *OCHA-OPT Socio-Economic Fact Sheet*, Jerusalem, April 2008.
  - ✦ Opeskin, Bryan R., "The Moral Foundations of Foreign Aid," *World Development*, Vol. 1, No. 1, 1996, pp. 21-44.
  - ✦ Oxfam, "Continued Commercial Closure of Gaza will Cause Complete Humanitarian Dependency, Groups Warn in Advance of Middle East Quartet Meeting," *Oxfam International*, July 15<sup>th</sup>, 2007.
  - ✦ Palestinian National Authority, *Palestinian Reform and Development Plan, 2008-2010*, Ramallah, December 2007.
  - ✦ Palestine Monitor, "Factsheet: Poverty," *Palestine Monitor*, August 14<sup>th</sup>, 2007.
  - ✦ Palestinian Central Bureau of Statistics, *Palestinian Central Bureau of Statistics Website*, 2008, <http://www.pcbs.gov.ps/>.
  - ✦ Pepper, Anshil, "Dorner Report: The Damage to Every Holocaust Survivor is up to Million 2.2 NIS," *Ha'aretz*, June 22<sup>nd</sup>, 2008.
  - ✦ Plotzker, Sever, "Only Holocaust Survivors Should Get It?" *Ynet*, August 3<sup>rd</sup>, 2007.
  - ✦ Ram, Uri, "The New Gaps: Global Capitalism, Post-Fordism and Inequality," in: Ram, Uri and Filc, Dani, *The Power of Property: Israeli Society in the Global Age*, Van Leer Institute, Hakibutz Hameukhad, Tel-Aviv, 2004, pp. 16-33.
  - ✦ Rempel, Terry M, "The UN Relief and Works Agency and a Durable Solution for Palestinian Refugees," *Badil – Information & Discussion Brief*, Issue No. 6, July 2000.
  - ✦ Reuters,, "Haniyeh Slams U.S Decision to Blacklist Major Gaza Charity," *Reuters*, August 28<sup>th</sup>, 2007.
  - ✦ Rubinstein, Danny, "When It Comes to Electricity, Israelis and Palestinians Stay Connected," *Ha'aretz*, April 8<sup>th</sup>, 2004.
  - ✦ Schiff, Benjamin N., "Between Occupier and Occupied: UNRWA in the West Bank and the Gaza Strip," *Journal of Palestine Studies*, Vol. 18, No. 3, Spring 1989, pp. 60-75.
  - ✦ Shalev, Michael, "Did Globalization and Liberalization 'Normalize' Israel's Economic Policies?" in Ram, Uri and Filc, Dani, *The Power of Property: Israeli Soci-*

- ety in the Global Age, Van Leer Institute, Hakibutz Hameukhad, Tel-Aviv, 2004, pp. 84-115.
- ✦ Shearer, David, "The Humanitarian Crisis in the Occupied Palestinian Territory: an Overview," *Humanitarian Exchange*, November 2004, pp. 2-4.
  - ✦ Stiglitz, Joseph, "Making Globalization Work," lecture delivered in Chennai, India on January 4<sup>th</sup>, 2007.
  - ✦ Stop the Wall, *Development or Normalization? A Critique of West Bank Development Approaches and Projects*, Stop the Wall Campaign, 2008.
  - ✦ Turkmen, Ilter, "UNRWA Forty-Five Years Later," *UN Chronicle*, Spring 1996.
  - ✦ UN, *Executive Report of the Food Security Assessment*, West Bank and Gaza Strip Food and Agriculture Organization of the United Nations, in collaboration with World Food Programme, Rome, 2003.
  - ✦ UN, *Consolidated Appeals Process Summary: Occupied Palestinian Territories*, United Nations, Summer 2007.
  - ✦ UN, *The Humanitarian Monitor; Occupied Palestinian Territory*, No. 23, United Nations, Office of Coordination of Humanitarian Affairs, March 2008.
  - ✦ UN, *Gaza Strip Inter-Agency Humanitarian Fact Sheet*, March 2008, United Nations, Office of Coordination of Humanitarian Affairs, April 2008.
  - ✦ United Nations Special Coordinator for the Middle East Peace Process, *Report on the Palestinian Economy*, Autumn 1999, [www.arts.mcgill.ca/mepp/unesco/palecon99/index.htm](http://www.arts.mcgill.ca/mepp/unesco/palecon99/index.htm).
  - ✦ UNSCO, *The Impact of Closure and Other Mobility Restrictions on Palestinian Productive Activities*, 2002.
  - ✦ USA Today, "Palestinians Report Progress from Secret Talks between Hamas, Fatah," *USA Today*, January 13<sup>th</sup>, 2007.
  - ✦ Veblen, Thorstein, (1899), *Theory of the Leisure Class*, Dover Thrift Editions, 1994.
  - ✦ World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004.
  - ✦ World Bank, *West Bank and Gaza Update*, March 2004.
  - ✦ Yom, Sean L., "Washington's New Arms Bazaar," *Middle East Report*, No. 246, Vol. 38, Spring 2008, pp. 22-31.

# AIC Mission Statement

The Alternative Information Center (AIC) is an internationally oriented, progressive, joint Palestinian-Israeli activist organization. It is engaged in dissemination of information, political advocacy, grassroots activism and critical analysis of the Palestinian and Israeli societies as well as the Palestinian-Israeli conflict.

The AIC strives to promote full individual and collective social, economic, political and gender equality, freedom and democracy and a rejection of the philosophy (ideology and praxis) of separation.

The most urgent regional task is to find a just solution to the century-old colonial conflict in Palestine and confront the ongoing Israeli occupation-regime within its international framework. The AIC method of action develops from the awareness that local struggle must be practically and analytically situated within the framework of the global justice struggle.

The internal AIC structure and working relationship aims to reflect the above mentioned values.

Shir Hever

# *Economy of the Occupation*

*The Economy of the Occupation*, published monthly by the Alternative Information Center (AIC), offers a new approach to the economic situation in the Occupied Palestinian Territories (OPT) and Israel. This bulletin will provide accessible and singular analyses of the socioeconomic interests behind the Israeli occupation of Palestine.

At the present time, the majorities amongst the otherwise politicized Palestinian and Israeli populations possess a limited understanding of their own socioeconomic situation. Available publications are sporadic, insufficient, often biased and fail to consistently link society, politics and the economy in the OPT and Israel. This disempowering state of affairs makes it all the more critical to offer alternative readings of the economic reality of the occupation.

The publication touches on various issues such as inflation, debt, trade, employment, poverty and capital, and demonstrates the influence of these issues on the daily lives of Palestinians and Israelis. The aim is to enhance awareness and to contribute to a more informed struggle for social justice and a just peace for Palestinians and Israelis.

**Publications of the AIC are also available**

**at:** [www.alternativenews.org](http://www.alternativenews.org)