

THE IMPACT OF PALESTINIAN FOREIGN AID

Impactul ajutorului extern asupra Palestinei

Abstract: *Over the last 24 years, political institutions have sought to advance Palestinian welfare and the end of the Israeli-Palestinian conflict through channeling foreign aid. This essay, written initially as a capstone essay at the University of Texas at Austin, examines the impact of that aid, evaluating how its inflow has influenced Palestine’s economy, governance, physical security, and human security—pivotal variables affecting the conflict. Ultimately, this essay finds that Palestinian foreign aid has been ineffective, rather perpetuating conditions that prolong conflict: poverty, corruption, and terror. The essay’s findings should encourage policy makers, political bodies, and NGOs to refine and reconsider their aid projects.*

Keywords: *Israel, Palestine, Economics, Conflict, Security*

Introduction. While relatively small if assessed by casualties alone, the Israeli-Palestinian conflict remains at the forefront of international attention because of its implications on religious and ethnic conflict. The conflict, while explicitly territorial in nature, involves what is often considered the world’s most contested piece of land, which remains exceptionally holy to the world’s three Abrahamic faiths. The conflict is also important to the prospect of global security as its developments have inspired the rise of powerful terrorist organizations: Hamas and Hezbollah. Despite lasting over 70 years, the conflict remains unresolved, inspiring social scientists to unravel its complexities and uniqueness. One particularly intriguing question that prevails is “How has foreign aid, a consequence of the Israeli-Palestinian conflict, impacted Palestinian welfare?” This question remains at the forefront of this essay.

Theory and Hypothesis. Considering that the Israeli-Palestinian conflict is a matter of social science, political scientists can evaluate the conflict from a variety of angles. With Palestine remaining one of the

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world's largest recipients of foreign aid¹, a consequence of the conflict, this essay examines the impact of foreign aid on "Palestinian welfare", which entails economic development, human security, and physical security. Although scholars fluctuate over whether Palestinian foreign aid itself exacerbates the Israeli-Palestinian conflict, this essay finds that foreign aid has adversely impacted Palestinian welfare, neglecting to inspire Palestine's economy, all while perpetuating conditions of poverty, corruption, and terror.

Methods. The essay seeks to establish foreign aid's negligible effect on the Palestinian economy, by documenting how Palestinian foreign aid — despite totaling 25 billion dollars over the last two decades — has failed to induce growth². Assessments concerning Palestine's economic variables — GDP per capita, purchasing power per capita, and unemployment — will be assessed in sample years after the Oslo Accords of 1994, a peace initiative which has since inspired countries to donate billions of dollars in aid. The essay will also analyze information from a variety of institutions — such as the Washington and Gatestone Institutes — which shall demonstrate trends of corruption amongst Palestine's ruling party and the custodians of its foreign aid: the Palestinian Authority (PA). Case studies, tracking the lives and suspicious wealth accumulation of Palestine's most prominent leaders — Yasser Arafat and Mahmoud Abbas, the former and current prime minister of the PA, respectively — shall verify how corruption has managed to infiltrate even the highest sector of Palestinian leadership. To supplement these case studies, the essay will reiterate themes from several scholars to relate other ways in which foreign aid has impeded Palestinian development and security. It will also explore how NGO insecurity and violence in Palestine has compromised the potential for foreign aid to succeed. Lastly, the essay will identify the PA's direct and indirect involvement in inciting violence and radicalism to vindicate how foreign aid has compromised Palestinian welfare.

Literature Review. Despite how research pertaining to the Israeli-Palestinian conflict remains extensive, research addressing the impact of Palestinian foreign aid is not. Thus, in order to understand the implications of foreign aid on Palestinian welfare, one must examine the general impact of foreign aid. Ultimately, scholars disagree as to whether foreign aid more often than not propels development.

Proponents of foreign aid identify its successes in multilateral reconstruction, human security, and peace initiatives. While Peter Haas and John Hird³ moderate debates on themes involving international

¹ Phillips 2011: Paragraph I.

² Abu Toameh 2015: Paragraph IV.

³ Haas and Hird 2012: 71.

relations, the authors sometimes reveal their inclinations. When moderating the debate — whether or not foreign aid propels development — the authors emerge as proponents of foreign aid. They reference the Marshall Plan and Camp David Accords, foreign aid sponsored initiatives which propelled Europe's reconstruction and Egypt's peace with Israel, respectively⁴. Thus, the authors identify how foreign aid can advance economic development and peace.

Haas and Hird then introduce Jeffrey Sachs, another proponent of foreign aid. In similar fashion to them, Sachs⁵ references foreign aid's successes in advancing aspects of human security: food production and health. He observes how multilateral foreign aid initiatives triggered the eradication of small pox, the recession of malaria, and the Green Revolution, a campaign which advanced agricultural output. However, Sachs distinguishes himself. He poses criteria that foreign aid initiatives must meet before they can successfully achieve development. Thus, according to Sachs, interventions must meet specific output goals, be easy to deliver, embody scientifically sound logic, be applied at proportionate scale, be reliably funded, and be facilitated multilaterally⁶. While Haas, Hird, and Sachs all agree that foreign aid can advance development, Sachs — through presenting his criteria — reflexively acknowledges that foreign aid and its prospects are also limited and conditional⁷.

Just as proponents of foreign aid emerge, so do foreign aid skeptics. Although George Ayittey⁸ addresses a region which excludes Palestine, his assessment of Africa and its failure to develop remains universal. Ayittey does not explicitly associate foreign aid with development or its lack of. Rather, he explores a variety of obstacles that impede development initiatives. One factor he identifies is Africa's excess in foreign capital and investors. Despite having received enough foreign aid to sustain six Marshall Plans, Africa fails to develop because of large-scale capital flight — a process characterized by the rapid outflow of money and capital from a country's economy — which claims 80 cents per every dollar invested in Africa⁹. Through this observation, Ayittey relates two things: 1) Foreign aid can impede development. 2) Obstacles to development must be removed before foreign aid, regardless of its amount, can propel development¹⁰.

Above all, Ayittey prioritizes corruption — which annually claims 148 billion dollars of Africa's foreign aid — as the supreme inhibitor to development. According to Ayittey, corruption has a two-fold impact: 1) It exhausts aid that could have otherwise sponsored development programs.

⁴ Haas and Hird 2012: 71

⁵ Jeffrey Sachs 2012: 75.

⁶ Sachs 2012: 72, 79-80, and 89.

⁷ Sachs 2012: 72, 79-80, and 89.

⁸ George Ayittey 2012: 92-94.

⁹ Ayittey 2012: 92-94.

¹⁰ Ayittey 2012: 96-99.

2) It fuels disenfranchisement and, eventually, civil war. Ayittey reasons that as the political elite assumes wealth, it will invest in mechanisms to buttress its power. As the political elite become less dependent on its constituents for power, it becomes detached from its constituents' needs. Thus, the ensuing disenfranchisement inspires factions to challenge the state's power, a phenomena which fuels civil war and economic deterioration¹¹. Overall, Ayittey contends that foreign aid can plague development by fueling corruption, disenfranchisement, and civil war. Thus, instead of promoting foreign aid, he identifies intellectual, economic, institutional, and political reforms as the only solutions to Africa's development crisis.

Similarly, Nancy Birdsall, Dani Rodrik, and Arvind Subramanian complement Ayittey's skeptical nature towards foreign aid. They contend that foreign aid more often than not fails to spur economic growth, and present case studies juxtaposing the outcomes of countries which embraced and deemphasized foreign aid. They¹² isolate the successes of Chile, China, and India, which — despite receiving little to no foreign aid — developed because of their implementation of successful domestic reforms. The authors then compare the outcomes of two countries dependent on coffee industry production: Vietnam and Nicaragua. Although Nicaragua received plentiful foreign aid assistance and even debt absolution, it failed to develop. In contrast, Vietnam prevailed due to its decision to remain aid-independent, and to pursue economic reforms: diversification, privatization, and increased market-reach¹³. Through the above case studies, the authors substantiate the following: 1) Aid does not yield development unless applied effectively. 2) Aid is not necessary for development. 3) Countries develop quicker in the absence of foreign aid. 4) Development is "largely determined by poor countries themselves and outsiders can play only a limited role in development"¹⁴.

Raghuram Rajan and Arvind Subramanian supplement Birdsall and Rodrik's concerns regarding foreign aid and economic stagnation. Ultimately, the authors evaluate the impact of foreign aid on a variety of economic measurements — GDP per capita, purchasing power per capita, etc. — in various countries from 1980-2000 and thus establish that foreign aid inversely impacts a country's competitive abilities¹⁵. This is because of Dutch Disease, a phenomena in which the inflow of foreign currency destabilizes the economy and propels overvaluations in exchange rates. These overvaluations can compromise a developing country's ability to manufacture and export and, thus, its ability to take off. Therefore, the

¹¹ Ayittey 2012: 92-95.

¹² Birdsall, Rodrik, and Subramanian 2005: 136-140.

¹³ Birdsall et. al 2005: 137-140.

¹⁴ Birdsall et. al 2005: 136-140.

¹⁵ Raghuram and Subramanian 2011: 2-3.

growth of value added in manufacturing is slower in countries that get more aid¹⁶.

So while proponents of foreign aid concentrate their focus on foreign aid's potential and its necessary conditions, skeptics underscore its failures and acknowledge that underlying domestic problems, if existing, will always impede development. Skeptics also acknowledge how foreign aid, when misapplied, can perpetuate the conditions which it actually seeks to combat: poverty and violence.

Although research pertaining to the impact of foreign aid produces extensive research and various attitudes, research assessing the impact of aid on Palestinian welfare remains rather uniform in thought: foreign aid has adversely impacted Palestinian welfare. While the following scholars prevail with this common attitude, each scholar uniquely evaluates a different variable affected by Palestinian foreign aid.

Alaa Ali Al-Shorafa assesses the economic impact that foreign aid and NGOs have had on Gaza's economy between 1993 and 2005. Al-Shorafa emerges as a skeptic towards foreign aid, highlighting its design flaws and unhealthy economic consequences, primarily dependency culture. According to him¹⁷, Gaza — despite receiving 7.7 billion dollars between 2008-2010 — struggles to develop due to the disconnect between donors (who seek to advance their personal agenda) and recipients (who seek long-term development, employment, and social equality). This disconnect has resulted in the creation of NGOs, which are tailored according to donors' interests and not to the needs of the recipients. Consequently, NGO initiatives have misguidedly prioritized temporary relief over long-term improvement initiatives. According to Al-Shorafa, this decision has perpetuated a variety of economic repercussions, the first being a dependency culture in which recipients depend on NGOs for their necessities, and in which NGOs depend on external aid — which accounts for 78 percent of their revenues — for their sustenance¹⁸. Thus, according to Al-Shorafa, Gaza's NGOs and their design flaws have perpetuated waste, and a dependency culture that impedes development.

Al-Shorafa further critiques the design of Gaza's NGO sector. He observes how NGO initiatives in Palestine are externally oriented rather than domestically invested. In other words, instead of supporting and sustaining domestic industry, aid initiatives in Gaza tend to purchase foreign goods before distributing them locally¹⁹. According to Al-Shorafa, this reality neglects the Palestinian economy two-fold: 1) It fails to rehabilitate local industry, a necessity for long term economic employment and stability. 2) It perpetuates dependency on foreign imports²⁰.

¹⁶ Raghuram and Subramanian 2011: 6.

¹⁷ Al-Shorafa 2016: 1, 45.

¹⁸ Al-Shorafa 2016: 1, 45.

¹⁹ Al Shorafa 2016: 1, 115, 144-145.

²⁰ Al Shorafa 2016: 1, 3, 11, 31.

While Al-Shorafa opposes the current application of foreign aid, he briefly clarifies his skepticism. First, he asserts that the Palestinian people have the right to access aid so long as it promotes Palestinian self-sovereignty. He then proposes an alternative solution: providing Palestinians with larger leadership roles in NGOs and their development initiatives²¹. He reasons that this policy will accelerate development two fold: 1) Through including people who suffer unique needs, NGOs empower people who know best how to forge their own paths to development. 2) Through including people who suffer the consequences of inaction, NGOs will empower people who are more motivated to realize development²². Thus, while Al-Shorafa remains critical over the dependency culture perpetuated by NGOs in Palestine, he remains open to foreign aid so long as it meets a certain framework, a theme reiterated by the subsequent scholars.

Steven Stotsky progresses off of Al-Shorafa's skepticism as he addresses the implications of foreign aid on Palestine's economy, governance, and security. However, before doing so, Stotsky highlights trends regarding foreign aid and the Palestinian economy. He emphasizes how foreign aid has overwhelmed the Palestinian economy for decades: "[In] 2005, Palestinians received \$304 per person in foreign aid, second only to the war-torn Republic of Congo. Unlike the Congo, though, the Palestinians have received such subsidies for decades"²³. Then, he relates statistics observing how the Palestinian Authority, the primary custodian of Palestinian foreign aid since 2000, has increasingly misappropriated aid over time. While the PA exhausted 58 and 70 percent of all incoming foreign aid on government salaries in 2001 and 2008, respectively, it expanded its bureaucracy from 98,500 to 168,319 employees between 1999 and 2007²⁴. While these statistics relate incompetent governance and fiscal policy, Stotsky also believes they justify the PA's trends of "corruption and government malfeasance." Through employing foreign aid for government salaries, the PA — according to Stotsky — impedes economic growth two fold. By diverting funds intended for development and poverty relief efforts, the PA obstructs money from reaching people in need. Furthermore, through inheriting its revenues from a source other than taxes, the PA can afford to do two things: 1) fortify its bureaucracy and power. 2) ignore the demands of its constituency²⁵. Thus, Stotsky reasons that foreign aid has perpetuated the PA's corruption and Palestine's "free-falling" economy.

Beyond the economic implications, Stotsky explores foreign aid's impact on regional security. Through data observation, documenting terror and the PA's budget between 1999-2007, he contends foreign aid and terror

²¹ Al Shorafa 2016: 140, 142.

²² Al Shorafa 2016: 140.

²³ Stotsky 2008: Paragraph III.

²⁴ Stotsky 2008: Paragraph XII, XVI, XVII.

²⁵ Stotsky 2008: Paragraph II and XVII.

express a correlative relationship. He associates the PA's complicity in terror — its employment and sponsorship of members of the Al-Aqsa Martyrs Brigade, Hamas, and the Tanzim — with the increase in violence. He reasons that with more foreign aid, the PA can afford to expand its budget to fund terror against its enemy: Israel. Stotsky identifies the PA's corruption and support for terror as obstacles to security and development. Thus, he asserts the need for donors to install mechanisms to prevent the PA from diverting future aid to corruption and terror²⁶.

Like Stotsky, Dr. Sharbel Shoukair investigates how foreign aid affects Palestinian development and security²⁷. First, he investigates the economic repercussion: Dutch Disease. According to Shoukair, Palestine remains especially vulnerable to this outcome because of its absence of a national currency, and its dependency on multiple foreign currencies: the Israeli Shekel, Egyptian Pound, and Jordanian Dinar²⁸. The overwhelming inflow of foreign aid, and thus foreign currency, has prompted appreciations in the values of Palestine's adopted currencies, which reciprocally have compromised Palestine's ability to foster a competitive export-based industry, a necessity for long-term economic development. Consequently, many Palestinians have had to resort to less rewarding service-based employment opportunities in Israel²⁹. Thus, according to Shoukair, foreign aid has propelled Dutch Disease, stifling economic growth. Thereby, he reiterates the work of Rajan and Subramanian.

Dr. Shoukair also identifies foreign aid's impact on physical and human security. Like Stotsky, he suspects that terrorist attacks have prompted influxes of foreign aid, a cycle which rewards and perpetuates terror. While Shoukair acknowledges the security implications this cycle entails, he prioritizes its economic consequences for study. He explains that terror and violence have prompted Egypt, Israel, and Jordan to initiate security policies that constrain the movement and passage of Palestinians³⁰. This, Shoukair reasons, undermines standards of living (human security) in addition to the potential for a successful Palestinian export industry. Thus, Shoukair acknowledges that foreign aid has rewarded habits which have inversely impacted Palestinian security, welfare, and economics.

While the aforementioned scholars reflect elements of pessimism, Khaled Abu Toameh prevails as foreign aid's outspoken critic. Reiterating the approaches of Stotsky and Shoukair, Abu Toameh³¹ explores the economic and security repercussions of foreign aid. Furthermore, he demands accountability from the Palestinian Authority and Western donors, whom he holds as the primary culprits for Palestine's demise.

²⁶ Stotsky 2008: Paragraph II, XVII, XIX, and XXIII.

²⁷ Shoukair 2013

²⁸ Shoukair 2013: 3.

²⁹ Shoukair 2013: 1.

³⁰ Shoukair 2013: 239.

³¹ Abu Toameh 2015

Before beginning his critique, however, Abu Toameh emphasizes the potential that foreign aid could have realized: “the PA has received a total of \$25 billion in financial aid from the U.S. and other countries during the past two decades”³². Through highlighting how the PA failed to translate such extravagant sums of money into growth, Abu Toameh — like Stotsky — suggests not only the PA’s incompetence, but its corruption: “Palestinians saw no improvement in their living conditions, mainly as a result of the PA’s corruption”³³. Instead of investing money into the economy, the PA — according to Abu Toameh — seized the majority of foreign aid, lining its own pockets and exhausting the rest. Abu Toameh identifies the PA’s corruption, sustained by the steady flow of foreign aid, as a major factor that has propelled Palestinians towards Hamas, a terrorist organization. He also contends that foreign aid has undermined the potential for social reform and peace in Palestine. According to him, Western donors have blindly rewarded the PA, which has failed to reciprocate the conditions of the foreign aid: peace and democracy. Instead, Abu Toameh observes that the PA has stifled free speech, rejected generous land for peace proposals, and has facilitated autocracy. Furthermore, it has used funds to incite violence and to “wage a campaign with the purpose of isolating and delegitimizing Israel”³⁴. Thus, Abu Toameh acknowledges how foreign aid has empowered the PA, perpetuating its violence, autocracy, and corruption. This, he reasons, has propelled support for a radical political alternative. Thus, “Palestinians lost faith not only in the peace process, but also in the Palestinian Authority and its leaders”³⁵. Hence, Abu Toameh reinforces Ayittey, observing how foreign aid has fortified corruption and autocracy, which has propelled disenfranchisement and violence.

While Abu Toameh scorns the PA, he also holds foreign donors responsible for sponsoring the behavior of the PA. Like Stotsky, he demands Western donors to install mechanisms to ensure that aid is applied to advance democracy, development, and peace³⁶. Thus, Abu Toameh’s criticisms, while intense, do not entirely disregard foreign aid. Rather, like Stotsky, Abu Toameh observes that foreign aid will remain ineffective if issued to irresponsible parties, and issued void of proper accountability mechanisms.

All in all, the scholars reinforce one another’s belief that foreign aid has adversely affected Palestine. In regards to foreign aid’s economic impact, all scholars acknowledge how foreign aid propels debilitating economic conditions: dependency culture³⁷, corruption³⁸, and Dutch

³² Abu Toameh 2015: Paragraph IV.

³³ Abu Toameh 2015: Paragraph VI.

³⁴ Abu Toameh 2015: Paragraph XX.

³⁵ Abu Toameh 2015: Paragraph XIII.

³⁶ Abu Toameh 2015: Paragraph III and V.

³⁷ Al-Shorafa 2016: 1.

³⁸ Abu Toameh 2015 Paragraph XIII; Shoukair 2013: 28; Stotsky 2008: Paragraph: II.

Disease³⁹. In terms of physical security, three of the scholars — Abu Toameh, Shoukair, and Stotsky — explicitly reference foreign aid's role in inciting terror. Further, three of the four scholars acknowledge how foreign aid has prompted realities that plague human security: autocracy⁴⁰, constrained movement of people⁴¹, and disenfranchisement⁴².

Nevertheless, the scholars refuse to completely disregard foreign aid as a tool for economic growth in Palestine; rather, they imply the need for structural changes in its current application.

Palestinian Foreign Aid: Corruption, Poverty, and Terror.

As one of the world's largest ever recipients of foreign aid⁴³, Palestine has received over 25 billion dollars since 1994⁴⁴. Despite the magnitude of this inflow, the "Palestinian Project" — referring to all aid appropriated to Palestine since the Oslo Accords — has continuously underwhelmed, spending inefficiently, impacting the Palestinian economy negligibly, all while perpetuating conditions of poverty, terror, and corruption.

To better understand the inefficiency of the "Palestinian Project," one can evaluate its effectiveness in relative terms, in this case by comparing its outcome and means to that of a successful foreign aid initiative: the Marshall Plan, an American-led initiative. Often regarded for inspiring Europe's reconstruction after World War II, the Marshall Plan sought to invest \$13 billion dollars⁴⁵ — \$60 billion dollars in today's currency⁴⁶ — into Europe's economy. While the funding behind the Marshall Plan may appear substantial, from a proportional perspective it only appropriated \$272 per subject in the areas affected during the project's entirety: four years⁴⁷. Nevertheless, despite the project's short duration and low proportionate investment, the project propelled Europe's economic revival.

Unlike the Marshall Plan, the Palestinian Project has spanned a rather long interval of time, 22+ years, exhausting incredible sums of money, \$25+ billion, without achieving its intended goals: peace, stability, and security⁴⁸. While the Marshall Plan may still best the Palestinian Project in terms of overall spending — when inflation is accounted for — the Palestinian Project outperforms in inefficiency and ineffectiveness, indicated by its per capita spending. Since 1995, the Palestinian Project has appropriated funds which, when assessed per capita, have rewarded the

³⁹ Shoukair 2013: 1.

⁴⁰ Abu Toameh 2015: Paragraph VI.

⁴¹ Shoukair 2013: 49.

⁴² Abu Toameh 2015: Paragraph XIII.

⁴³ Phillips 2011: Paragraph I.

⁴⁴ Abu Toameh 2015: Paragraph IV.

⁴⁵ History of the Marshall Plan 2017: Paragraph IV.

⁴⁶ Clawson 2002: Paragraph V.

⁴⁷ Clawson 2002: Paragraph V.

⁴⁸ Abu Toameh 2015: Paragraph IV; Phillips 2011: Paragraph II.

average Palestinian 25 times more money — inflation accounted for — than the Marshall Plan did the average European over its four year duration⁴⁹.

Despite having had a longer time and more means to make an impact, the Palestinian Project has struggled to deliver any significant tangible improvements in GDP per capita, unemployment, and/or purchasing power. Over a span of 20 years, Palestine's GDP per capita has fluctuated from its average \$1,379.31 to its height of \$1,997.3 in 2016, just a few hundred dollars⁵⁰. Despite all of the aid intended for Palestinian development, Palestine's ranking in terms of GDP per capita remains overwhelmingly low. The West Bank alone registers 175th out of 228 countries, between Mauritania and Bangladesh in rank. This statistic does not even incorporate the GDP per capita of Gaza, Palestine's poorest region, meaning that Palestine should holistically rank even lower⁵¹. Thus, despite the substantial inflow of foreign aid, Palestine struggles to overcome its economic burdens, at least in one economic capacity.

Foreign aid has also failed to significantly quell Palestinian unemployment, or reflexively, propel Palestinian industry. With both Gaza and the West Bank realizing unemployment rates of 26.70 percent, Palestine ranks 196 out of 218 countries, between Yemen and Venezuela, in the world's top tenth percentile for most unemployment⁵². Regarding labor force participation rates, a similar measure which factors those working against those who are capable of working, Palestine most recently realized a low 45.5 percent rate⁵³. Hence, Palestine remains within .5 percentage points of the following countries in terms of labor force participation rates: Iraq, Somalia, Sudan⁵⁴. While lower labor force participation rates can imply higher early retirement rates — and thus, wealth — Palestine's low GDP per capita combined with its low employment and labor force participation rates indicate drastic poverty, and thus, foreign aid's ineffectiveness.

Despite the inflow and duration of foreign assistance, Palestine struggles in yet another economic capacity: purchasing power parity (PPP) per capita rates. Although Palestine had received over 4 billion dollars by 2002⁵⁵, foreign aid had yet to propel any significant positive changes in PPP per capita. In fact, in the first 11 years that Palestine began receiving most of its foreign aid, Palestine's purchasing power parity per capita actually declined. Although PPP per capita registered \$2,485.65 in 1994, Palestine's PPP per capita exploded to \$3,041.8 in 1999, before collapsing to \$2,105.52

⁴⁹ Dias 2013: Paragraph I.

⁵⁰ Palestine GDP per Capita 2018.

⁵¹ GDP per Capita 2017.

⁵² Unemployment Rate 2017.

⁵³ Palestinian Census Bureau 2017: 5.

⁵⁴ Labor Force Participation Rate 2017.

⁵⁵ Clawson 2002: Paragraph IV.

in 2002, and \$2,465.10 in 2005⁵⁶. The trend of rapid growth followed in general by a rapid decline seems to indicate how the inflow of foreign aid could have actually activated Dutch Disease. Despite the inflow's intention to promote economic stability, it actually destabilized the economy, causing inflation that exists unto this day. While some scholars observe how Palestine's PPP reached \$4,500 in 2015, a supposed cause for celebration, they neglect to observe how Dutch Disease, amongst other factors, has propelled inflation⁵⁷. With food inflation rates so high, Palestinians — on average — must spend half of their income on food⁵⁸. Thus, while there have been some advancements in PPP per capita, perhaps a result of the foreign aid, inflation has compromised the small, positive impact of these improvements.

With Palestine's economy disappointing despite the vast presence of foreign assistance, identifying the causes of foreign aid's shortcoming remains essential for understanding its limitations, and further, its negative potential. Unto now, scholars have identified the following obstacles to foreign aid, all of which have impeded Palestinian development: Dutch Disease⁵⁹, dependency culture⁶⁰, and corruption⁶¹.

While this essay embraces these explanations, it emphasizes the following as the primary obstacles to foreign aid's potential: NGO insecurity, violence, and corruption. Ultimately, these phenomena have compromised the prospects of foreign aid all while empowering the Palestinian ruling class — Fatah and Hamas, which de facto govern Gaza and the West Bank, respectively — which has prioritized its access to wealth and power over its people's welfare.

NGO Insecurity unravels in many forms: physical security, intellectual security, and property security. If burdened by physical insecurity — violence — NGOs must take certain inconvenient safety precautions to protect their staff, and thereby compromise their logistical abilities and maximum potential. If burdened by intellectual security — e.g. when NGOs subject themselves to a regime opposed to their objectives, let alone, freedom of expression — NGOs must adjust and compromise the effectiveness of their mission so as to avoid expulsion. In terms of property insecurity, an NGO's intellectual and physical property can be threatened by the local governing entity, which may purposefully steal or damage an NGO's assets. Hence, property insecurity can detriment the research and functional capabilities of NGOs.

Considering how the PA, the primary custodian of Palestinian foreign aid, has yet to translate foreign aid into tangible economic

⁵⁶ Palestine GDP per Capita PPP 2018.

⁵⁷ Palestine GDP per Capita PPP 2018.

⁵⁸ WFP Palestine: Country Brief 2017: 2.

⁵⁹ Shoukair 2013: 1.

⁶⁰ Al-Shorafa 2016: 3.

⁶¹ Abu Toameh 2015: Paragraph II.

development, the success of foreign NGOs, whose funding often lies beyond the scope of the PA's supervision, largely determines the likelihood of development in Palestine. In Gaza, a territory de facto governed by a recognized terrorist organization, Hamas has created a variety of NGOs which have provided clinics, after school programs, food distribution centers, and even free or heavily subsidized social welfare, health, and educational services: Al-Wafa, the Prisoners Association, the Islamic Association, Dar al-Islam Hospital, Al-Ghazi Hospital, Eetilaf Al Kheir, etc⁶². In doing so, Hamas has sought to create a dependency culture, consolidating power as its impoverished civilians desperately surrender support in return for basic goods and services. Hence, Hamas has regarded NGOs in Gaza with skepticism, fearing that they could provide services and ideologies that could recruit potential supporters away from it. In response to this "threat," Hamas has closed NGOs, even seizing the assets of those which scrutinize it or present alternative, "unpalatable" ideologies. Hence, Hamas has closed the Sharik Youth Institution, the Bonat Al-Mustaqbal Society, the South Society for Women's Health, and the Women and Children Society, stealing all of their files, documents, computers, and fax machines in the process⁶³. In doing so, Hamas related a strong, menacing message: NGOs which challenge Hamas's values will be dismantled. Hence, Hamas scares NGOs into realizing that they have no other alternative but to conform to its standards if they are to function in Gaza. Inevitably, in doing so NGOs compromise their mission and blueprints for development.

While Hamas has significantly disempowered NGOs in Gaza, it has also preyed upon foreign NGOs for its own sustenance. In 2016, Hamas was discovered to have forced World Vision International, a private Christian NGO, to divert 50 million dollars to its cause⁶⁴. Further, between 2012-2014, Hamas forcefully coerced reputable NGOs — United Nations Development Programme and Save the Children — to divert millions of dollars to itself⁶⁵. Documents also detail how Hamas officials demanded the chairman of medical NGO "Friends of the Patient Society" to withdraw and surrender \$270,000 at gunpoint⁶⁶. Other accounts detail how Hamas police officers once stole computers and goods from Global Communities, prompting the NGO to leave Gaza, and how it demanded Albayader, a religious NGO, to either surrender money to Hamas or suffer expulsion⁶⁷. Further, Hamas has stolen resources from NGOs, such as food, reciprocating food stamps to those only who show up to their mosques, a

⁶² Levitt 2007: Paragraph XIII; Pham 2014: Paragraph VII; Unmasking Hamas's Hydra of Terror 2003: 7.

⁶³ Abu Toameh 2010: Paragraph I and IV.

⁶⁴ Carlstrom 2016: Paragraph III; Lappin 2016: Paragraph X.

⁶⁵ NGOs, Humanitarian Aid, and Hamas Connections 2016: Paragraph I.

⁶⁶ Almadhoun 2010: Paragraph I.

⁶⁷ Almadhoun 2010: Paragraph IV.

means of brainwashing followers⁶⁸. Through seizing goods and provisions from NGOs, Hamas strengthens its reigns, funding itself and forcing constituents to submit in return for basic necessities. Thus, the presence of NGOs in Gaza sustains Hamas, giving it access to resources which it uses to fortify itself and its support base. Considering how Hamas, an organization which refuses Israel's right to exist, has fired 11,000+ rockets into Israel since 2005, instigating two wars, and reciprocally, thousands of Palestinian deaths, the presence of foreign NGOs in Gaza has contributed to violence, which detracts Palestinian safety and economics⁶⁹.

Violence remains another significant hindrance to the Palestinian economy, let alone the ability for foreign aid to realize substantial impact. As violence destabilizes an environment and instills fear, it prompts citizens to take necessary safety precautions, to suspend economic operations, or to charge more for their services. Further, violence can damage infrastructure and impede transportation, devastating a country's logistical abilities. Thus, violence can deter investment, motivating investors to withdraw their assets and capital from unstable regions, fearing damages to their property, assets, and prospects. Hence, countries prone to violence often suffer the following conditions — increases in transport costs, capital flight, reductions in investment — in addition to substantial declines in GDP per capita⁷⁰.

Palestine remains especially prone to violence, both by domestic and external forces. In the past three decades, Palestine has suffered five waves of large scale violence, the first being the Second Intifada (2000-2005), a Palestinian uprising characterized by suicide bombings and terror attacks that claimed the lives of 4,000 Israeli and Palestinian civilians alike⁷¹; the second being the Palestinian Civil War (2006-2007), which political parties Hamas and Fatah fought after the 2006 Palestinian Legislative Elections, claiming 616 lives⁷²; the third being the first Gaza War (2008-2009), an Israeli campaign to suppress Hamas's indiscriminate rocket barrages against Israel, claiming 1,400+ lives; the fourth being Operation Pillar of Defense, an Israeli invasion prompted by a combination of Hamas rocket shelling and terror attacks, claiming 170+ Palestinians and Israelis; the fifth being Operation Protective Edge, another Israeli intervention provoked by a combination of rocket fire and a Hamas attack that murdered three Israeli teenagers, which claimed the lives of 2,100+ Palestinians⁷³.

Within a span of 20 years, Palestine has endured five conflicts, suffering economically as a result. For most of 2001-2003, the height of the

⁶⁸ Almadhoun 2010: Paragraph IV and V.

⁶⁹ Bolton 2014: Paragraph II.

⁷⁰ Mueller and Tobias 2016: 2.

⁷¹ Intifada toll 2000-2005 2005: Paragraph I.

⁷² Over 600 Palestinians killed (2007): Paragraph I.

⁷³ Gaza crisis: Toll of Operations in Gaza 2014: Paragraph I and XXV.

Second Intifada, Palestine registered negative GDP Annual Growth Rates, sometimes exceeding negative 20 percent, only to replicate this feat again between 2006 and 2007, the height of the Palestinian Civil War. Palestine also suffered negative rates during 2014's Operation Protective Edge, maximizing at just below negative ten percent. Considering that Palestine's growth rates have remained positive for all other years between 2001 and 2018, and that Palestine only suffered negative GDP annual growth rates at times of conflict, conflict must express at least a correlative relationship with Palestinian economic stagnation⁷⁴.

While foreign aid has been appropriated with the intention of promoting peace and development, it most often falls into the hands of the PA, the primary supervisor of Palestine's foreign aid⁷⁵. Through empowering a regime with a strong track record of inciting terrorism, foreign benefactors implicitly sponsor violence, and thus, economic stagnation and human insecurity in Palestine. Since emerging as the official representative body of the Palestinian people with the signing of the Oslo Accords, a peace initiative, the PA has incited violence through sponsoring terrorism, through glorifying terrorists, and through refusing peace proposals, hence prolonging conflict. Upon its founding in 1994, the Palestinian Authority assumed responsibility over funding and managing the "Martyrs Fund," a charity founded in 1966 by the Palestinian Liberation Organization, a previously recognized terrorist organization. The Martyrs Fund rewards terrorists and their families with stipends⁷⁶. As terrorists commit more and more heinous crimes, they receive more money. For example, terrorists sentenced with lower sentences, 3 to 5 years, may earn \$580 a month, the average Palestinian monthly income, while murderers can earn anywhere from \$2,900-\$50,000 a month⁷⁷. Realizing that they can sustain themselves and their families for life, many Palestinians have resorted to terror, a reality which has gotten so out of control that nearly 35,000 Palestinian families now benefit from the Martyr's fund, which allocates \$347 million dollars annually⁷⁸. Through proactively rewarding terror, the PA exhausts 49.6 percent of all of its foreign aid in sponsoring violence, a condition which plagues economic potential, in addition to human security⁷⁹.

While the PA sponsors violence, it also glorifies terrorism, reciprocally inspiring Palestinians to terrorize. Most notably, the PA has done so through its dedication of public works and centers. In 2014, the PA dedicated a park to Khalil al-Wazir, a terrorist who murdered 125 Israeli

⁷⁴ Palestine GDP Annual Growth Rate 2018.

⁷⁵ Abu Toameh 2015: Paragraph IV; Phillips 2011: Paragraph II.

⁷⁶ Sommer 2018.

⁷⁷ Harkov 2018: Paragraph II; Palestinian Authority Funds Go To Militants 2003: Paragraph I.

⁷⁸ Harkov 2018: Paragraph III.

⁷⁹ The PA Now Uses Half 2017: Paragraph III.

civilians, 37 of which died in a single bus hijacking⁸⁰. In similar fashion, the PA renamed a women's center after Dilal al-Mughrabi, a terrorist infamous for hijacking a bus and killing 38 civilians⁸¹. Likewise, in 2017, the PA opened a park honoring Maher Younis, who killed an Israeli officer in 1983⁸².

While the PA has glorified terrorists through its naming of public facilities, it has also done so through its rhetoric. Mahmoud Abbas, the Palestinian president expresses in support of a wave of knife attacks on Israeli civilians: "We welcome every drop of blood spilled in Jerusalem. This is pure blood, clean blood, blood on its way to Allah. With the help of Allah, every martyr will be in heaven, and every wounded will get his reward"⁸³. A response to terror, Israel has had to enforce measures which protect its citizens but also inconvenience the free passage and logistics of Palestinians: security checkpoints, strong border enforcement, and the security barrier along the West Bank. Hence, considering how foreign aid empowers the PA, whose violence has compromised Palestine's logistical and economic capabilities, foreign aid perpetuates human insecurity in Palestine.

Through refusing land for peace proposals, Palestinian leadership substantiates its lack of commitment to peace with Israel and securing statehood. Since 2000 alone, Israel has either proposed or accepted four land for peace proposals — which would have facilitated Palestine's independence — all of which the PA has refused. While all of these proposals would have at least included all of Gaza and 92 percent of the West Bank, some have been so generous as to include all of East Jerusalem and 97 percent of the West Bank, as did Ehud Barak's and Bill Clinton's proposal in 2000⁸⁴. Another proposal in 2008, a provision by Prime Minister Ehud Olmert, sought to institute an international committee to supervise Jerusalem's holy sights, to relinquish 93.7 percent of the West Bank — with additional land swaps compensating the remaining 6.3 percent — to acknowledge the right of return of 5,000 refugees to Israel, and to establish an international fund to rehabilitate Palestinian refugees⁸⁵. While the PA could have accepted any of these land-for-peace deals, resolving the Israeli-Palestinian conflict, it chose to perpetuate conflict — and the suffering of its people — by refusing them. Thus, through inciting violence and refusing statehood, the PA implies its commitment to another motive, fueled by the inflow of foreign aid: corruption.

While foreign aid has been assigned to Palestine with the intents of promoting regional development, peace, conflict resolution, and

⁸⁰ Donzis 2014: Paragraph I and III.

⁸¹ UN Chief Pulls Support 2017: Paragraph III.

⁸² Days Before Trump Visit 2017: Paragraph I.

⁸³ Hotovely 2015: Paragraph IV.

⁸⁴ Cortelessa 2016: Paragraph II.

⁸⁵ Avishai 2011: Paragraph XI, XXI, and XXIX; Perry 2010: Paragraph XVI.

reciprocally, freedom, it has unravelled adversely⁸⁶. Over time, Palestinian leadership has realized that through inciting conflict it can seize international attention and inspire the inflow of billions of dollars worth of foreign aid. This phenomena manifested itself recently, after Israel's counter-terror operation in Gaza in 2014, which inspired the inflow of a total 5.4 billion dollars of aid to the PA, including 1 billion dollars from Qatar, and an additional 212 million dollars from the US⁸⁷.

Through supplying billions of dollars void of sufficient caveats and tracking measures, foreign donors have fostered conditions for corruption. To no coincidence, Palestinian officials have managed to suspiciously accumulate inordinate amounts of wealth, despite being career politicians in a developing country, a trend suggesting that foreign aid has propelled corruption. Thus, it makes sense why Palestinian leadership has refused peace and statehood, and has incited violence. By perpetuating conflict, Palestinian leaders sustain their access to billions of dollars, allowing them to maintain power. This hypothesis justifies how Yasser Arafat and Mahmoud Abbas — the PA's former and current prime minister, respectively — and their highest officials have amassed hundreds of millions of dollars without due explanation.

The first president of the Palestinian Authority (1994-2004), Yasser Arafat is often regarded as the messianic figure of Palestinian nationalism. Founder of Fatah and the Palestinian Liberation Organization, Yasser Arafat spent much of his life from 1964-1994 hiding and coordinating terror attacks, hoping to pressure Israel into granting Palestine independence. Upon the signing of the Oslo Accords of 1994, Arafat became the official, outspokenly recognized leader of the Palestinian people. Nevertheless, despite his championing of Palestinian independence, he refused two land-for-peace partitions by Israel, instead opting to instigate conflict: the Second Intifada⁸⁸. Despite being a "terrorist" or "freedom fighter" for much of his life, upon becoming a career politician, Yasser Arafat began demonstrating signs of suspicious wealth accumulation and behavior, diverting over 300 million dollars from the PA into "an undisclosed Swiss bank account" which "can no longer be traced"⁸⁹. Before his death, reports surfaced revealing how Arafat had diverted over a billion dollars of public funds into a personal portfolio; much of the money remains untraceable unto this day⁹⁰. However, these estimates remain just the tip of the iceberg. By the mid-1990s alone, Arafat had managed to accumulate 10 billion dollars, 6 billion of which came from "the United States, Japan and

⁸⁶ Phillips 2011: Paragraph II.

⁸⁷ Shuttleworth 2014: Paragraph I and III.

⁸⁸ Yasser Arafat Fast Facts 2017.

⁸⁹ Gilmore 2003: Paragraph I.

⁹⁰ McDermott 2003: Paragraph I.

European countries as financial aid to the [Palestinian] authority from 1993 to 2000”⁹¹.

In similar fashion, Mahmoud Abbas — Arafat’s successor — followed suit, receiving his first millions in kickbacks as “one of [Arafat’s] closest aids”⁹². Despite being a career politician in an impoverished country, Abbas has since managed to accumulate a net worth exceeding 100 million dollars⁹³. In contrast to how Arafat blatantly embezzled sums of foreign aid, Mahmoud Abbas's family has done so indirectly, creating companies to be contracted by foreign aid donors such as US AID and managed by Abbas’s two sons: Falcon Electro Mechanical Contracting Company and Sky Advertising Company⁹⁴. In doing so, Abbas’s two sons — Tareq and Yasser — have likewise managed to become multimillionaires in a matter of a few short years, empowering a family dynasty, while taking employment opportunities and aid from needy Palestinians⁹⁵.

Another beneficiary of foreign aid exploitation remains Mohammed Rashid. Despite previously being a journalist making no more than a thousand dollars a month, Rashid gained heightened access to Palestine’s foreign aid as Arafat’s financial advisor. By 2004, the end of Arafat’s administration, Rashid had amassed a net worth of half a billion dollars, presumably obtaining all of this money through embezzling foreign aid⁹⁶. As reports surfaced regarding his embezzlement, Rashid likewise accused Abbas of stealing money from foreign aid, confirming trends of corruption amongst the PA’s ruling class⁹⁷.

Just as the PA has used foreign aid to line its own pockets, it has also used foreign aid to expand its bureaucracy, and thus, power. Instead of investing foreign aid into development programs, which would have benefited lay people, the PA spent 58 and 70 percent of all incoming foreign assistance on government salaries in 2001 and 2008, respectively. In doing so, between 1999 and 2007, it expanded its employee base from 98,500 to 168,319, thus securing more people dependent on its regime. Hence, the PA has also used foreign aid to leverage its power⁹⁸.

Through its corruption and incitement of violence, the PA has demonstrated its selfish motives and its disregard towards its constituents. In a desperate need of change, many Palestinians have responded to the PA’s corruption, entrusting their support in Hamas, which as the world’s second largest terrorist organization promises a radical alternative in its charter: the destruction of Israel, and the establishment of an Islamic state

⁹¹ Dan 2002: Paragraph XIV.

⁹² Dan 2002: Paragraph X.

⁹³ Abu Toameh 2012: Paragraph XIII.

⁹⁴ Entous 2009: Paragraph IV.

⁹⁵ Entous 2009: Paragraph II; Swisher 2016: XIII.

⁹⁶ Abu Toameh 2012: Paragraph IV and V.

⁹⁷ Abu Toameh 2012: Paragraph XIV.

⁹⁸ Stotsky 2008: Paragraph XVII.

encompassing modern-day boundaries of Israel and Palestine⁹⁹. In recent years, Hamas has accrued so much support that in the Palestinian Legislative Elections of 2006, the last to take place, it seized 74 out of the available 132 seats, 56.06 percent of the vote¹⁰⁰; and in 2015 it registered an approval rating superior to that of Fatah: 39 percent to 36 percent¹⁰¹. Thus, as a result of its failure to inspire better “living conditions, mainly as a result of the PA's corruption,” many have empowered Hamas, which has “promised change, reform and an end to [the PA's] financial corruption”¹⁰². Hence, foreign aid, which has empowered the PA, has also empowered conditions favorable to the rise of radicalism and Hamas, the ultimate obstacle to peace and the realization of a two-state-solution.

Conclusions. While foreign aid to Palestine has sought to advance regional development, peace, and the liberties of Palestinians, the Palestinian Project has rather disappointed, perpetuating poverty, terror, and corruption. In terms of economic growth – explored through GDP per capita, PPP per capita, and unemployment – the Palestinian economy has yet to make significant gains, a testament to how Dutch Disease and dependency culture, consequences of foreign aid, have impeded Palestinian industry. Further, the absence of sufficient tracking measures has allowed foreign aid to succumb to the widespread corruption of the Palestinian Authority, thus empowering a ruling class that has purposefully refused peace and statehood so to perpetuate conflict and to receive foreign aid, which it has abused. This cycle has inspired the rise of Hamas, a terrorist organization, which has suffocated NGOs, but more so, provoked Israel into intervening and instituting security measures which impede the movement, the economic and logistical capabilities of Palestinians. Hence, the presence of foreign aid, while intended for peace, democracy, and social reform, has rather propelled obstacles – violence, corruption, and autocracy – which have compromised the prospects of peace and statehood in Palestine.

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⁹⁹ Abu Toameh 2015: Paragraph XIV.

¹⁰⁰ Wilson 2006: Paragraph II.

¹⁰¹ Fischer-Ilan 2015: Paragraph V and VI.

¹⁰² Abu Toameh 2015: Paragraph XIV.

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