



**Islamic University of Gaza  
High Studies Deanery  
Faculty of Commerce  
Master of Business Administration**

**The Effect of USAID Funding in Developing the Palestinian  
Community-  
From Palestinian Non-governmental Organizations perspective  
Case Study: Gaza Strip**

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## **ABSTRACT**

The role of United States of America Aid in promoting economic growth and improving the social welfare of people has been the subject of much debate among development specialists, researchers, aid donors as well as recipients in general and Palestine in particular. This study explores the effect of USAID funding on developing the Palestinian Community using descriptive statistics for data that spans from 2000 to 2008.

The study concludes that the USAID funding has contributed to the basic Human development requirements for Palestinian community but it did not fully meet Palestinian aspirations and expectations. Although those funding resulted in some achievements, especially in developing infrastructure and providing basic social services, it failed to empower Palestinian society to attain independence and self-determination and to lay the foundations for sustainable human development.

USAID funding to the current level of NGOs were not able to develop the Palestinian economy, to generate sustainable employment opportunities or to reduce the economy's vulnerability to and dependence on external factors. This assistance failed to compensate for the losses and damages inflicted on Palestinian society and individuals by Israeli policies and practices.

Therefore, the researcher derived several recommendations to both Palestinian NGOs and to USAID in order to bring the comprehensive concept of USAID effect on developing the Palestinian Community:

- 1- NGOs should empower their capabilities in modern management such as identifying vision; determining general goals; developing strategies, programs, and budgets; monitoring and conducting impact assessment; promoting the use of feedback in reviewing strategies and programs; reporting; decision-making; accountability; and transparency.
- 2- USAID should establish links between immediate relief efforts and long-term development programs that contribute to the sustainable development and in alignment with the Palestinian priorities.

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## **Dedication**

I would like to take this opportunity to express my sincere gratitude and dedicate this work for my dear husband Osama for his continuous support infinite advices and distinguished encouragement since the beginning and in achieving this thesis, for my parents who I wish they were with me at this moment, and to my children Hussam, Rawan and Adam.

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## LIST OF ABBREVIATIONS

CERF	Central Emergency Response Fund
DAC	Development Assistance Committee
EC	European Commission
ERMA	Emergency Refugee and Migration Assistance
GDP	Gross Domestic Product
GNI	Gross National Income
HRF	Humanitarian Response Fund
IMF	International Monetary Fund
MAS	Palestinian Economic Policy Research Institute
MFIs	Micro Finance Institutions
MOH	Ministry of Health
MOP	Ministry of Planning
MOPIC	Ministry of Planning and International Cooperation
NGOs	Non Governmental Organizations
OCHA	Office for Coordination Humanitarian Affairs
ODA	Official Development Assistance
OPT	Occupied Palestinian Territories
PAPA	Palestinian Agribusiness Partnership Activities
PECDAR	Palestinian Council for Development and Construction
PDP	Palestinian Development Plan
PCBS	Palestinian Central Bureau of Statistics
PLO	Palestinian Liberation Organization
PNA	Palestinian National Authority
PNGOs	Palestinian Non Governmental Organizations
PVOs	Private Voluntary Organizations
SMEs	Small & Medium-size Enterprises
SNSD	Strategies of National Sustainable Development
UNRWA	United Nations Relief Works Agency
UNSCO	United Nations Special Coordination Office
USAID	United States Agency for International Development
WFP	World Food Program

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction:

"War, border closures, violence, and unemployment have hampered the Palestinian economy for over a decade. Despite these obstacles and setbacks, the future outlook is optimistic" (Shaban & Diwan, 1999).

The Palestinian people are looking toward the future. They endeavor, both individually and collectively through their institutions, to secure better opportunities for coming generations, even as they are confronted by extraordinary challenges. Perhaps Palestinian society's extraordinary skills and human resources in all areas have boosted their capacity to endure, persist, and resist in the face of attempts to deny the justice of their cause. The Palestinians continue to demand recognition and implementation of international resolutions related to a peaceful resolution of the ongoing conflict (Birzeit University, 2005).

Following the signing of the Oslo Accords (the Declaration of Principles between the PLO and the Israeli government in September 1993, in October of that same year the donor countries held a conference in which 42 nations and institutions took part. The purpose of the conference was to adopt a specific strategy for providing financial and technical assistance to the new Palestinian National Authority (PNA), which was established within the framework of the Oslo Accords.

In fact, contribution commitments totaled \$2.4 billion only three months after the conference that created the "peace dividend" the five-year funding plan for reconstructing and developing the Palestinian economy and infrastructure. Thereafter, international assistance for the Palestinian people began pouring in from multiple sources and through numerous channels. Financial pledges took various forms, came with substantial conditions, and were funneled in to the PNA in a disorganized manner. Since September 1993, assistance funds totaled more than \$6 billion at the end of the first half of 2004, resulting in an average annual per capita assistance level of \$310 per person, considered one of the highest levels of aid in the world (Birzeit University,

2005). These large amounts of foreign assistance played an important role in upgrading Palestinian infrastructure facilities and reducing the destructive impact of the Israeli policies and practices during the ten years following the Oslo Accords. However, this assistance was not made part of a systematic national plan for development and reconstruction (Birzeit University, 2005).

Most international assistance provided to developing countries is managed by projects. These projects are financed by multilateral development agencies (the World Bank, the European Union, the United Nations Development Program, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, etc.), bilateral agencies (USAID, the French Cooperation, CIDA) and the many organizations and departments of international cooperation established by former colonial rulers and the industrialized countries. Over the last few decades, international aid programs were successful in helping developing and emerging countries to make real progress in the health system, in agriculture and in the education system. However, it is clear that the effectiveness of economic reform projects is still being debated (Diallo and Thuillier, 2004).

Most United States assistance to the Palestinians is provided through the U.S. Agency for International Development's (USAID) West Bank and Gaza program. According to (USAID, 2008) The United States is committed to continuing assistance for basic human needs in both the West Bank and Gaza, including emergency food, health care, and access to safe water. In Gaza, much of this is accomplished through the United Nations Relief and Works Agency (UNRWA) and local and international Non-Governmental Organizations (NGOs) (USAID, 2008).

In 2008, the U.S. was the single largest national donor to the Palestinian people. The U.S. exceeded its December 2007 Paris Donors' Conference pledge of \$555 million, committing more than \$600 million, including \$300 million in direct budget support and \$184.7 million in assistance for Palestinian refugees. In addition, since the Gaza crisis began in December 2008, the U.S. has provided over \$65 million in immediate humanitarian assistance, primarily through UN agencies and NGOs (USAID, 2009).

According to the Office of the United Nations Special Coordinator (UNSCO, 2007), there are almost 262 Palestinian and international NGOs active in the Gaza Strip, political and humanitarian organizations, NGOs promoting human rights or economic and social development, solidarity-, charitable- or action-oriented groups, churches, trade unions and professional associations, organizations with special focus on women, children, refugees organizations. This study aims at evaluating the effect of the USIAD funding in the West Bank and Gaza which addresses the immediate humanitarian and long-term development needs of children and adults and examines the indirect implications and restrictions of the USAID funding and its linkage with developing the Palestinian Community.

## **1.2 Research Problem:**

The main study problem is "What is The Effect of the USAID Funding in Developing the Palestinian Community?"

Several questions need to be tested to reach to an appropriate answer for the research main question:

- 1- What is the effect of the USAID funding in building the Palestinian Institutions and strengthening their Capacity?

To answer this main question we need to seek two sub-questions:

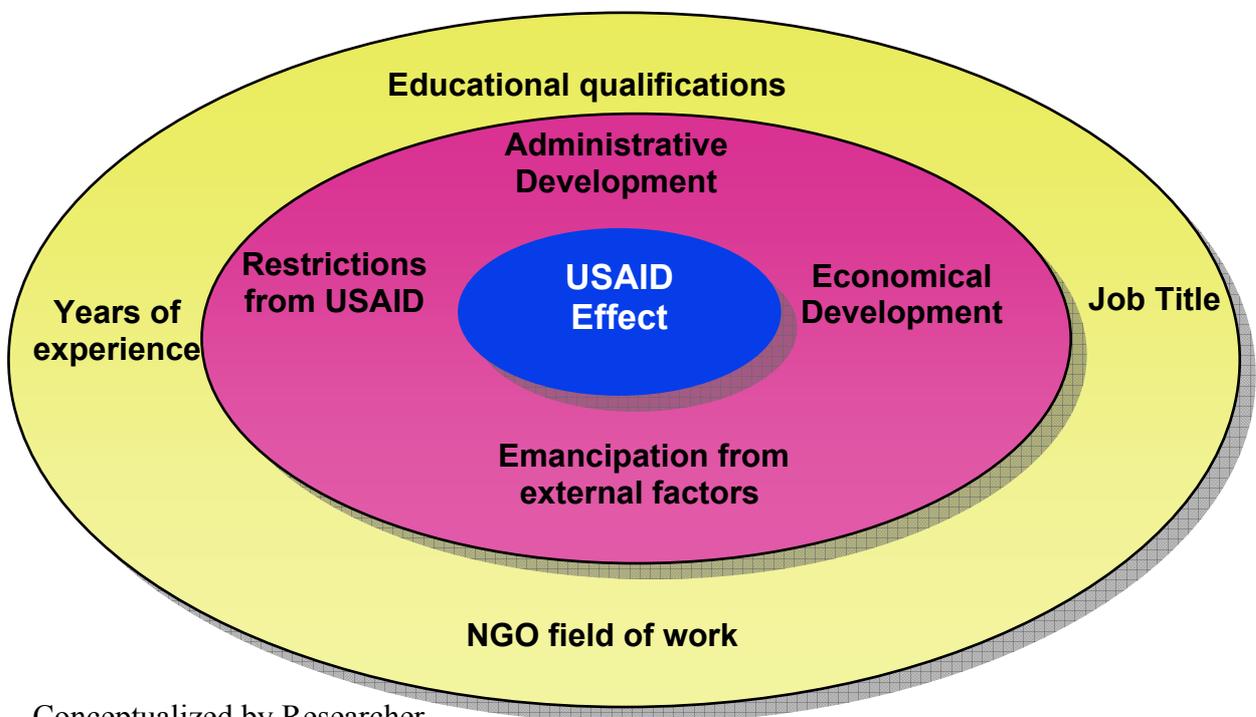
- 1.a- What is the Role of the USAID funding in the NGO administrative development in the Palestinian Society?
- 1.b- What is the Role of USAID funding in the NGO economical development in the Palestinian society?
- 2- What is the Contribution of the USAID funding on the emancipation of the Palestinian Community?
- 3- What are the restrictions the USIAD impose on providing aid to Palestinians?
- 4- What is the evaluation for the effect of the USAID funding? Moreover, how it reflects on the development of the Palestinian community?
- 5- Do you have any suggestions to increase the effect of the USAID funding?

### 1.3 Research Hypothesis:

There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to personal traits (Educational qualifications, Job title, NGO field of work, and years of experience in the field of work.)

### 1.4 Research Variables:

Figure 1-1: Research Variables



Conceptualized by Researcher

### 1.5 Research Importance:

The research evaluates the effect of The USAID funding in developing the Palestinian Community. It acknowledges the role of the USAID funding in building the Palestinian institutions and strengthening their capacities through developing their administrative and economical procedures. Also the research examines the contribution of the USAID funding on the emancipation of the Palestinian Community from any external factors that may hinder the formation of an independent Palestinian state.

Finally, this research gives overall conclusions on the effect of the USAID funding in strengthening the Palestinian community and provides some recommendations for both Palestinian NGOs and USAID donor in order to meet the actual Palestinians priorities and needs.

### **1.6 Research Objectives:**

This study has the following objectives, which emerge from the study aim:

- 1- Identifying the effect of the USAID funding in building the Palestinian Institutions and strengthening their administrative and economical capacities.
- 2- Identifying the effect Contribution of the USAID funding on emancipation of the Palestinian Community to external factors.
- 3- Identifying the certain restrictions imposed by USAID on providing aid to Palestinians.
- 4- Proposing recommendations that may improve the effect of USAID funding in developing the Palestinian community.

### **1.7 Research Limitations:**

In order to achieve the objectives of the study and answer the questions posed, the researcher had to overcome a series of difficulties and obstacles related to the subject of study, whether it is related to the authenticity of the subject of the study (which gave the research importance), the dearth of information, or not receiving enough cooperation from the Palestinian NGOs who already received USAID funding to implement their projects. In addition, Palestinian NGOs believe that any information related to receiving aid from any donor is confidential and should not be shared with others especially information related to budgets and size of funding offered. Also in this case when talking about the effect of USAID, Palestinian NGOs believe that they should not show their acceptance to USAID restrictions as a pre-requested conditions to receive funding.

The main serious limitation hinders this research is the latest war on Gaza in December 2009 and it's effect on many of the Palestinian NGOs capacity and buildings, knowing that the researcher distributed the designed questionnaire to all research sample at the beginning of Dec, 2008. Due to that war, many of NGOs lost this research questionnaire and another distribution was done in March 2009.

## **1.6 Previous Studies:**

There are many studies conducted on evaluating the role and effectiveness of external funding in developing countries but not too many studies concentrated on the effective Role of the USAID funding in developing the Palestinian Community. Therefore, from all the following previous studies we can get the following benefits:

### **1.6.1 Local Studies:**

#### **1- (Abu Nahla, 2008)**

*" Role of Palestinian NGOs in Utilizing the international Fund to Promote Entrepreneurs and Create sustainable Job Opportunities, Case Study: Gaza Strip"* investigates the role of the PNGOs played in utilizing the international fund in supporting the entrepreneurs and create sustainable jobs.

The researcher recommended that PNA should increase its efforts to play roles that are more vital in coordination between PNGOs and the donors and it should join forces with PNGOs to complement not to compete each other's. PNGOs should support and encourage entrepreneurs by concentrating part of their fund towards financing their creative ideas. Also donors should take more systematic approach to PNGO funding, placing less emphasis on emergency projects financing and more on development programs and finally donors should provide their fund to the PNGOs according to PNGOs priorities not according to donors' policies.

#### **2- (Hamed, 2008)**

*"The Role of the United States of America in the Democratic transformation process in Palestine (George Bush's Term of Office 2001-2006)"* investigates a subject that has been increasingly talked about since 2001 in terms of its dimensions, justifications and timing.

The researcher has reached to the following conclusions:

- 1- The American policy has always been employed to the investment of Israel's military, economic and scientific superiority as a strategic

source in the region. Its positions towards the Palestinian cause have been in full harmony with the requirements for Israel's superiority.

- 2- The US has resorted to the reformation of the PA and to the change of the Palestinian political leadership due to its weakness to present serious initiatives to solve the conflict and put pressure on Israel to show more flexibility, in sensitive issues, in the settlement process.
- 3- It was also an attempt from the US to effect changes in the Palestinian cultural environment which accordingly leads to a change in the political environment on the basis of promoting new perceptions and alternatives to solve the Palestinian cause and focus on dealing with the requirements of the solution and its potential in a realistic way taking into consideration the changes on the ground and the unrealistic implementation of the UN resolutions, return of the refugees, the Palestinian control of Jerusalem and the dismantle of settlements.
- 4- The researcher provided an analysis of the American administration policy and its orientations in the wake of the developments, which the Palestinian political life has witnessed, and the link between the goals, positions and means adopted concerning the Palestinian political system.
- 5- The USA has never had a clear-cut policy toward the settlement of the Palestinian question. Rather, it has always counted on investment of the Israeli steps and setting them up in the context of a two-state solution vision.

The researcher believes that the American administration has benefited from Palestinians' keeping the negotiations on the shoulders of the PLO, thus preventing them from rendering any reforms in the structure and hierarchy of the PLO on Palestinian national foundations within Palestinian determinants for the framework and priorities of negotiations before participating in the negotiation process. In the final analysis, the Palestinian party has remained weak, the negotiations have continued but without allowing the Palestinian parties to play a role that may strengthen the Palestinian negotiating position.

### **3- (Arafat, 2005)**

*“American Foreign Policy towards Palestine from Nixon to Clinton”* identifies the elements of continuity and discontinuity of American foreign policy towards Palestine. The researcher has reached to a conclusion that there have been constant variables that have governed American approach towards Palestine between Nixon and Clinton administrations. These variables played a key role in undermining and liquidating Palestinian interests and rights, and they will continue to do the same in the future.

As a consequence of these variables, the author concludes that Palestinians should no longer perceive the United States, as the sole option for resolving the Palestinian-Israeli conflict, as it is not a reliable and honest broker.

### **4- (Salama, 2005)**

*“The European role in the Palestinian-Israeli peace process”* notes that the Europeans became the major foreign party who maintained contracts with the Palestinians. In addition, this study confirms that the European role continues to be diplomatic and economic for the most part, depending on its philosophy of incrementalism and gradualism. It recognizes the interdependence of economic, political and diplomatic efforts and is waiting for another window of opportunity to have a relative role in securing the peace process.

### **5- (Al Agha, 2005)**

*“A Resource Allocation Process for Planning Infrastructure Sector in Palestine Emphasizing Technical Criteria”* concerns with the development of an approach for allocating the resources for infrastructure sector at the national level. The developed approach is suitable for use in Palestine since it considers technical criteria such as availability of technical requirements and execution, operation and maintenance suitability.

#### **6- (Othman, 2005)**

*“Proposed Evaluation Approach for Evaluating Externally Funded Infrastructure Projects in Palestine”* aims to develop an evaluation approach for evaluating externally funded infrastructure projects that is suitable for use in developing countries, especially Palestine. The developed approach consists of three phases, i.e. Phase 1: Preparation for an Evaluation; Phase 2: Planning and Management an Evaluation; Phase 3: Communication Findings and Utilizing Results.

The approach encourages the usage of local materials in infrastructure projects and gives it precedence over imported materials. It enhances the community participation and the active involvement of project stakeholders in evaluating infrastructure projects. It is recommended that the developed approach be used in the evaluation of infrastructure projects in Palestine and also in other countries of limited resources after possible modifications concerning influencing factors and evaluation criteria. The approach will improve the planning and implementation of infrastructure projects, which will enable the achievement of their objectives in cost effective and timely manner.

#### **7- (Ismail, 2005)**

*“The Role of Palestinian Institutions to Enhance Participation and Activate Political Development”* examines the relationships between local institutions and governments. The researcher concluded that from the international model, which means to create decentralized bodies that can establish political initiatives in the far areas and can take control over these areas including legislation, ability construction and dispute reconciliations and other social concerns. In the Palestinian areas, it can serve the people of Palestine, not foreign countries under which these institutions used to be financed.

## **8- (Sharaf, 2005)**

*"The Financial Control and the Finance continuity for the civil society organizations in Gaza Strip"* determines the influence degree of the control components, the internal control systems, accounting systems and control tolls on the financial position of the organization, in addition to determining the role of auditing & monitoring institutions on the financial position.

The research reached to a result of the existence of a moderate increase in the financial position of those organizations, which is restricted in supporting the assets of those organizations. It was found that the main source of donation is from foreign countries and from Arab countries consequently, meanwhile the domestic contributions and the Palestinian National Authority contributions is a small percentage out of the financial resources for those organizations. The researcher raised some recommendations that strengthen and support the financial control at organizations in Gaza Strip in order to increase the trust from donors point views that safeguard the contribution of the needed finance to continue in serving the civil Palestinian society that is in a bad need for those services to face the challenges.

## **9- (MAS, 2005)**

*"Towards a more effective use of International Aid to the Palestinian People"* profiles international aid and examines the problems facing its effective utilization. It concludes with recommendations on how the aid could be better used as the focus shifts back from relief to development. Promoting productive capacity and a better investment climate will improve the long-term living conditions of the Palestinian people.

Some of the Study recommendations are:

1. Better coordination is needed between Palestinian recipient institutions and donor agencies, and among these two groups themselves. The study proposes the creation of an institutional body, with a clear organizational structure and led by the Ministry of Planning, to plan and coordinate the inflow of international funds.
2. The PNA should plan and design projects balancing between short term emergency and long-term development needs. The direction of funds should be based on a detailed

vision and identification of needs and priorities, in order to avoid supply-driven, uncoordinated aid strategies and channeling of funds.

3. The PNA should involve local governments (i.e. municipalities and village councils) much more closely in deciding on national spending priorities and the use of international aid.

4. The PNA should pay more attention to the Palestinian informal sector and its needs and devise lending strategies for small-scale projects in general.

5. The PNA should finalize and implement its national reform plan, in order to coordinate reform efforts instead of sporadically implementing individual measures.

## **10- (MAS, 2005)**

*"Towards a Palestinian Development Vision"* intends to further stimulate the debate on the vision for the development of the Palestinian economy. It examines the identity of the Palestinian economy and its desired structure, looks the role that should be played by the various development partners, and explores the nature of the relationships that connect Palestine with its Arab neighbors and the rest of the international community. The Palestinian National Authority, the private sector and NGOs need to cooperate to come up with answers about the optimal direction of long-term development. These agreed answers must form the basis of future discussions between development partners and be effectively incorporated into all development policies and strategies, including the national budget. This would transform Palestinian development efforts from being ad hoc and uncoordinated into an efficient process with clearly defined and attainable goals.

The aim of this paper is to develop and strengthen a development vision, which represents the interests and aspirations of all development partners.

### **Recommended Development Strategies: Current Priorities**

- 1- Link short-term development efforts with long-term objectives, so as to direct interventions to improving economic growth and efficiency, creating an appropriate legal and institutional framework, and preparing for the economic transition towards sustainable development after independence.
- 2- Invest in all levels of education, especially in primary education, as well as in scientific research and culture, focusing on quality, efficiency and productivity

- to generate Palestinian human resources capable of participating in the knowledge economy.
- 3- Develop an investment climate that is appropriate for attracting local and foreign investors and for enabling the private sector to perform a leading role in economic development.
  - 4- Continue the process of reform of the Palestinian National Authority, improving the efficiency of the governmental sector and enabling it to play an effective role in the management of development.
  - 5- Consolidate the partnership between the PNA, the private sector and civil society to expedite the implementation of the development vision, following up the advancement of policies, plans and programs, and coordinating the division of labor.

#### **11- (Idwan, 1997)**

*“Foreign Aid to the West Bank and Gaza”* aims to highlight aspects of the role of external assistance to the Palestinians in West Bank and Gaza aiming for Palestinian development. The Study also aims at analyzing the most important obstacles and difficulties that prevented the achievement of development. In addition to determining whether this assistance contribute to the achievement of development of Palestinians, or that political considerations related to the interests of donor countries is more important ?. The study also aims at examining the German aid to the Palestinians in the West Bank and Gaza Strip; identify the size; importance; main forms and fields; channels provided through and the extent of its contribution to Palestinian development. The researcher findings indicate that Germany had provided their assistance to contribute to building and supporting the Palestinian institutions in the West Bank and Gaza Strip. Also this assistance contributes to supporting the private sector and creates job opportunities for residents. German assistance shows willingness to support the infrastructure in industrial zones to be established in northern West Bank complying with Israeli interests in general, and contribute to keeping the Palestinian economy under Israeli domination and subordination. In the end, the researcher concluded that the German aid focuses on improving the daily lives of the population, making them feel that the peace process to achieve tangible gains. Also, German assistance contributes to alleviating the problems faced by West Bank and Gaza Strip, particularly with regard to water and sanitation, unemployment, in order to serve Israeli

interests and agree together, especially in light of the special and privileged relations between Germany and Israel, and without paying attention to the need to restore Palestinians of their resources looted by the occupation authorities, and control over natural resources in WB & Gaza, particularly with regard to water.

As a conclusion, the German assistance provided to Palestinians to support the physical and social infrastructure of Palestine, but does not cover the productive activities. So, the researcher stressed that Germany should be aware of that the Palestinians need to improve their political framework for economic movement, and it should put pressure on Israel to give Palestinians their rights in the West Bank and Gaza Strip, not merely providing assistance.

### **1.6.2 Regional Studies:**

#### **12- (Marzouki, 2005)**

*"The Direct Foreign investment from an Islamic perspective "* aims at identifying the Islamic perspective from the direct foreign investments granted to Islamic developing countries as a financing tool for economic and social development aiming at increasing the national income, thus increasing the per capital income, and raising the level of living.

Researcher has reached to a conclusion that the position of Islamic law doesn't stand in the face of foreign direct investment as long as for the benefit of the Islamic country and comply with it's rules and regulations, so that foreign investment does not become an instrument of economic control to some types of activities, or economic sectors in Islamic countries.

### **1.6.3 International Studies:**

#### **13- (Barrett, 2008)**

*"Foreign Aid, Development Strategies and Poverty Reduction"* identifies that Foreign aid has long been deemed an essential part of any strategy to reduce poverty and hunger. It encompasses both short-term relief of suffering resulting from natural disasters and war, as well as longer-term development to end chronic deprivation. Over the intervening half century, aid has become an industry, professionalized in United Nations agencies, multilateral development banks and a vast network of non-governmental organizations (NGOs) committed to humanitarian relief, long-term development, or both.

#### **14- (Ngang, 2008)**

*" The Impact of Foreign Aid on Economic Growth and Economic Development in Cameroon"* examines the role of foreign aid in promoting economic growth and improving the social welfare of people has been the subject of much debate among development specialists, researchers, aid donors as well as recipients in general and Cameroon in particular. This study explores the impact of foreign aid to economic growth and development in Cameroon using descriptive statistics for data that spans from 1997 to 2006. The results show that foreign aid significantly contributes to the current level of economic growth but has no significant contribution to economic development. In addition, the researcher reached to a conclusion that the impact may be significant depending on the country understudy, type of aid, the adjective of the donor country, the implementation policy of the recipient country, the methodology used, and the period of study. In Cameroon, foreign aid leads to economic growth but the growth is not translated to economic development because of bad governance and corruption.

**15- (Lindström and Staaf, 2008)**

*"Foreign Aid in North Korea – Can We Meet? A survey and analysis of foreign aid development strategies for the Democratic People’s Republic of Korea proposed by its government and the international donor community"* aims at documenting and analyzing the current foreign aid development strategies of North Korea and the international community and what foreign assistance the government of North Korea wants to receive from the international donor community, and what foreign assistance the international donor community wants and is capable of providing to North Korea.

Research results reveal that in the current context, it is possible to meet primarily in the humanitarian-oriented areas of agriculture and basic social services. In a future context, where the nuclear issue is resolved and foreign aid is expected to increase substantially, there should be ample opportunities for enhanced agreement on a wide range of development-oriented aid activities, especially in the areas of physical and human capital accumulation, economic reforms, and international trade. However, the two sides are unlikely to agree on the North Korean ambition to become self-sufficient in agriculture, as well as to adopt a strategy of leap-frogging in order to develop a high-tech industry.

**16- (Salmonsson, 2007)**

*"Foreign aid : Aid Dependency as an argument for policy reform : an elite survey"* examines the inability of foreign aid to generate an appropriate model for development and the complexities related to Official Development Assistance (ODA) to the Third World. In this study of foreign aid, the subject under investigation (the argumentation within the public debate) is studied through a historical perspective. Secondly, a comparison was made between the public debate and the way this issue is discussed among field workers.

The researcher has reached to an observation when analyzing the discussions on foreign aid efficiency in international aid programme is that the polarization witnessed in the public- or “elite” debate is not as obvious when analyzing the opinion of aid-workers. This would imply that uncertainty about aid efficiency is exaggerated in the public debate.

**17- (Wickstrom, 2006)**

*"How Foreign Aid Hinders Democracy: A Multivariate Analysis in Development Studies"* identifies that the Foreign aid has the potential to produce dramatic changes, both economically and politically, in the countries in which it is received. This paper argues that the contemporary foreign aid regime does not always create positive results and is often detrimental to democratization in developing countries. This paper argues that poor foreign aid policy induces, both political and economic, and both direct and indirect effects on lesser developed countries which are unfavorable to democratization. The author concludes that the current foreign aid regime must change in order to avoid propping up further corrupt governments.

**18- (Jamal, 2006)**

*"After the 'Peace Processes:' Foreign Donor Assistance and the Political Economy of Marginalization in Palestine and El Salvador"* answers the question of under what circumstances does the foreign donor assistance during war-to-peace transitions contribute to the strengthening of civil society and the deepening of Democracy. The researcher clarified that in the Palestinian territories, existing civil society organizations have engaged less actively with their previous grassroots constituencies since the start of the war-to-peace transition, and the number of grassroots-based civil society organizations has decreased. Moreover, many of these organizations have been limited in their access to institutions to engage the state. In El Salvador, the reconstitution of civil society has led to its broad access to institutions that engage the state and to higher levels of grassroots inclusion in the political transformation process.

The researcher argued that these divergent outcomes in the Palestinian territories and El Salvador reflect the differential effects that foreign assistance has on civil society after more or less inclusive political settlements. The researcher found that in cases like the Palestinian territories, where the political settlement excludes important socio-political groups, foreign donor assistance is less likely to contribute to the strengthening of civil society or the deepening of democracy. Rather, foreign donor assistance to civil society is more likely to exacerbate political polarization and weaken civil society by further privileging those select groups already favored by the terms of the non-inclusive

settlement. Conversely, after more inclusive political settlements like in El Salvador, foreign donor assistance can play a more constructive role in developing civil society and contributing to deepening of democracy by encouraging grassroots organization, and expanding access to political institutions to engage the state.

**19- (Olsson, 2005)**

*"Does Aid Work? A Cross-country Aid Efficiency Study"* Identifies that Foreign aid and all kinds of support aiming at international development are of great importance for the developing nations. The researcher measures the criticism and debate around the argument that aid is less efficient in countries with tropical climate. The author has constructed two policy indexes with alternative measures on trade and monetary policy and run these in a growth regression together with a measure of institutional quality and a tropical dummy in order to see whether aid works and if the choice of variables in and construction of the policy index might influence the outcome of the growth regression. The results were indeed very dependent on which combination of variables that were included in the regression therefore no straight answer whether aid spurs growth in developing nations can be decided.

**20- (Preston, 2005)**

*"Cultures of funding, management and learning in the global mainstream"* examines changes over the last 20 years which have shaped international human development assistance for the alleviation of poverty and inclusion and what it achieves. The paper observes close similarities between the case studies in low-income states and others in advanced capitalist nations, which offer short-term funding oriented at the inclusion of marginal groups and at the support of civil society initiatives for its own development. It argues that the remit of the aid sector and other providers, rather than alleviating poverty, reinforces internationally framed structures of inclusion, marginality, cohesion and stability, with differential skill in the management of finance, human and other resources crucial to the process.

**21- (Erixon, 2005)**

*"Aid and Development"* intendeds to further investigate whether there is a relation between the aid and development.

The Paper concludes that aid has not promoted economic growth, nor has it led to improved policies in developing countries. Fundamentally, economic growth depends on qualitative, not quantitative, factors: the structure of property rights, the extent to which courts of law apply and enforce abstract, clear rules inexpensively and quickly, the size of government and its effectiveness in delivering public goods, and the openness of the economy to trade and investment with the outside world. It would be more sensible to scale back levels of aid, provide aid only to governments that are already reforming, and make aid available for strictly limited period of time. Other reforms, such as removing trade barriers and eliminating trade-distorting agricultural subsidies, would yield far more benefits than increasing aid.

**22- (Diallo and Thuillier, 2004)**

*"The success of International development projects, trust and communication: an African perspective"* shows that Project success is strongly linked to communication and cooperation between stakeholders. This research explores the relationship between trust and communication and tests the influence of these factors upon project success and success criteria of international development projects financed by multilateral institutions in sub-Saharan Africa. The statistical analysis confirms that Projects are dynamic systems in which perceptions become "reality". They cannot be carried out efficiently without trust between key stakeholders. Multilateral donor agencies should assess regularly the trust climate, project by project, between the task manager and the coordinator, because it would be a loss to break a "winning team".

**23- (Feeny, 2003)**

*"The Impact of Foreign Aid on Poverty and Human Well-being in Papua New Guinea"* evaluates the impact of foreign aid on poverty and human well-being in Papua New Guinea during the 1990s.

The methodology of the paper involves comparing the mix of donors' aid policies aimed at the promotion of economic growth, direct targeting of the poor and the

provision of safety nets with the poverty and well-being situation in Papua New Guinea. This paper emphasizes that the Australian and other aid programs have been broadly consistent with a strategy to reduce poverty. In the absence of foreign aid, there is no doubt that the degree of poverty in Papua New Guinea would be even greater than that prevailing.

The Australian policy of phasing out aid provided as budget support in favour of project aid has ensured that aid is now used for important projects in the health and education sectors. Education for all should remain a top priority. This paper also argues that the aid program could be better prioritized in the following five ways.

1- Greater targeting of foreign aid to those in the poorest regions of the country is required to reduce the very high level of inequality prevailing in Papua New Guinea. Reducing inequality will reduce tension between different ethnic groups.

2- The vast majority of the Papua New Guinea population live in rural areas and operate in the informal sector. They have not participated in economic growth which has been driven by the capital intensive mining sector. Although the Papua New Guinea Government is primarily responsible for pursuing a growth strategy based on the development of agriculture, donors can still play an important role. Donors can play a role in developing new agricultural methods, assist in expanding agricultural production, identifying niche markets and in assisting with more effective marketing of Papua New Guinea's agricultural products.

3- The provision of a clean water supply must take a higher priority in donor aid programs. Securing a clean water supply to a greater proportion of the population can be expected to have 'knock-on' effects, leading to improvements in both health and education indicators.

4- Donors should assist in making financial services to the poor in rural areas. Microfinance schemes should be encouraged to enable greater access to credit and insurance. Not only will this help those in rural areas take advantage of profitable investment opportunities it will enable them to manage risk through savings.

This is important due to the rural population's vulnerability to natural disasters and illness. Donors should provide assistance to NGOs to assist in establishing these schemes.

Finally, This paper argued that donors should prioritize the construction of new roads in addition to the maintenance of existing roads. Not only will this ensure greater access to health and education services, it will ensure that small scale producers face

lower transportation cost, have greater opportunity to get their product to market and raise their rural incomes. Improving the transport networks across the country will improve communications between different ethnic groups and may reduce tensions and increase security.

#### **24- (Diallo and Thuillier, 2002)**

*"The success dimensions of international development projects: the perceptions of African project coordinators"* examines Success factors and success dimensions on which projects are evaluated. An analysis of the perceptions of coordinators of international development projects has not been examined thus far. This paper characterizes the dimensions of success (and their hierarchy) for such projects, as perceived by project coordinators using data collected by questionnaires. The results confirm the importance of management dimensions (time, cost, quality) but paradoxically the project impacts are rated in last position for the coordinators. In addition, the dimensions related to the political environment of the international development community plays a significant role in the perception of project success as the project coordinator must satisfy more than one "client" in such projects financed by multilateral institutions. The study confirms that each stakeholder assesses project success on the basis of evaluation dimensions that fit within his own agenda or within the interests of the group he represents.

#### **25- (Burnside & Dollar, 1997)**

*"Aid, Policies, and Growth"* aims at studying the effectiveness of foreign aid. Burnside and Dollar use a new database on foreign aid to examine the relationships among foreign aid, economic policies, and growth of per capita GDP.

They find that aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies. In the presence of poor policies, aid has no positive effect on growth.

They examine the determinants of policy and find no evidence that aid has systematically affected policies, either for good or for ill. They estimate an aid allocation equation and show that any tendency for aid to reward good policies has been overwhelmed by donors' pursuit of their own strategic interests.

In a counterfactual, they reallocate aid, reducing the role of donor interests and increasing the importance of policy. Such a reallocation would have a large positive effect on developing countries' growth rates.

**Discussion:**

Previous studies concentrated on discussing the dimensions related to the political environment of the international development community plays and offer short-term funding oriented at the inclusion of marginal groups and at the support of civil society initiatives for its own development. Also, studies argue that the remit of the aid sector and other providers, rather than alleviating poverty, reinforces internationally framed structures of inclusion, marginality, cohesion and stability, with differential skill in the management of finance, human and other resources crucial to the process. Additionally, determining the Financial Control System that should be available in order to have continuous assistance for the civil society organizations in Gaza Strip. Many of the previous papers and researches concentrate on investigating the relationship between the aid assistance and its impact on developing communities with mentioning different donors such as (German aid) or by giving an overall impact of International donors and only few of them concentrated their efforts on measuring the role and effect of USAID funding in the development.

The contribution of this research aims at evaluating the effect of USAID funding in developing the Palestinian Community from the Palestinian non-governmental organizations (PNGO) perspectives. It acknowledges the impact of USAID assistance on empowerment is judged by the extent to which the assistance is effectively allocated across sectors in order to address the maximum number of development priorities and to meet the needs of the Palestinian people.

The study conclusions, while not definitive, may offer some indications and evidence as to the importance of this assistance and its role in bringing about economic and social development and in empowering the Palestinian community.

## **CHAPTER TWO**

# **The Role of Civil Society Organizations in Society Building and Empowerment of the Palestinian People**

## **Section One**

### **The Role of Civil Society Organizations in Society Building and Empowerment of the Palestinian People**

#### **2.1 Palestinian Civil Society Organizations: Their Structures, Culture and Performance**

The Palestinian civil society nuclei started forming almost one hundred years ago in the time of the British Mandate. The beginnings were in the form of civil societies, labor unions, and in the start of political movements. The distinguishing factor in the development process of the Palestinian civil society structures is embodied in the absence of freedom and abnormal social, economic and political conditions.

Throughout its formation, the Palestinian civil society organizations were working hand in hand with Palestinian resistance movements, and even the Arab liberation, political, national, and religious movements. With the purpose of aligning the Palestinian society in opposition of occupation and to respond to the essential basic needs of survival for Palestinians, the Palestinian civil society institutions played a vital role in organizing and massing of Palestinians in many structures and social and fundamental frameworks such as labor unions, charitable organizations, nongovernmental organizations, popular committees, and voluntary work committees. These critical efforts were fully embodied through creating a resistance developmental environment, which were quite evident through the high popular participation in the first Intifada (Bisan Center, 2007).

Besides their national role, these institutions played an important role in building up the internal democratic structure of the Palestinian society and in promoting principles of human rights, democracy, participation, worker and women rights. They also provided essential services to various sectors including educational, health, environmental, agricultural, developmental, and rehabilitation of the disabled (Hanafi, 2004).

### **2.1.1 Palestinian Tradition and Modernization as Possible Empowerment Tools:**

Palestinian culture played an important role as an inhibitor of the social and cultural disintegration that might otherwise have been the result of the Israeli occupation. Palestinian culture possesses a unique heritage of structures, values, traditions, behavioral patterns and custom which are deeply ingrained in the collective consciousness of the people (Jarrar, 2005). Palestinian culture plays two opposing roles: the first as a strengthening agent for the fundamental linkages within society and a catalyst for empowerment; and the second as a stumbling block for development and modernization. (Birzeit University, 2005).

Palestinian modern institutions do not share a uniform level of enthusiasm for western-style modernization. Some strive to achieve modernization and the process of development in the context and as a reflection of traditional social values. Others see modernization as a system in which prefabricated, foreign social systems are superimposed onto the Palestinian framework. Still others reject the concepts of modernization outright, and prefer to take Palestinian society back to the days of conventional thinking, which are now completely out-of-step and antithetical to any aspirations of holistic human development (Hanafi, 2004).

In general, however, most modern institutions and organizations view modernization as an escape route from the cultural-historical predicament in which the Palestinians now find themselves. Unfortunately, more modern Palestinian institutions have not performed effectively enough to serve as convincing alternatives to the traditional ways of doing things. They have, however, achieved some success in bringing about a degree of social pluralism and have mobilized resources for change in several areas (Hanafi, 2004).

Palestinian society must unify its methodologies and consolidate its resources if it is going to effectively expedite the process of institution-building and modernize its traditional civil society organizations while preserving their contribution to Palestinian life. Some echelons of Palestinian leadership and the cultural elite do recognize the need for modernization, and have achieved a degree of success in realizing this goal (Berzeit University, 2005).

### **2.1.2 The Culture of Palestinian Civil Society Institutions:**

The Palestinian Human Development Report (2004) classifies these organizations into two: traditional social institutions which includes tribes, clans, extended families, urban, rural familial and sectarian networks and religious groups; and modern institutions which include political parties, charitable societies, trade unions, professional associations, women's associations, NGOs, media and advocacy groups and other service-providing organizations (Birzeit University, 2005).

Palestinian political factions and parties still display to a large degree the organizational culture and behavioral habits of traditional institutions, whether consciously or unconsciously. They also maintain the loose structure and tribal dynamic of traditional institutions as opposed to the more rigid, disciplined approach of a modern political party (Bhargouthi, 2006).

Palestinian political groups do have a long history in the civil society arena and have played important functions in the introduction of modern values to society and in the provision of community services (Abdul Atti,, 2004).

No matter how they are categorized and despite being heavily criticized under the current environment, NGOs continue to play an important role in maintaining social cohesion, in ensuring that the poor obtain their basic needs, promoting steadfastness among the population, and continuously articulating the social aspiration of the search for a genuine Palestinian state (Abdul Hadi, 2005).

### **2.1.3 Activities of Civil Society Institutions:**

Charitable organizations form the largest sector of Palestinian civil society. Some political movements and parties sponsor development organizations that wield influence in the social domain, such as emergency relief groups affiliated with nationalist and leftist parties and Islamic institutions. Benevolent associations, such as clubs, familial/clan/tribal councils, are also active in social service and relief work in response to needs within the local community (Giacaman, 2006).

Some development-oriented NGOs were established to address the everyday problems of life resulting from the Israeli occupation in 1967. These NGOs created different

directions for themselves than those of charitable societies—going beyond the provision of direct and immediate relief, seeking instead to develop society's internal ability to create an alternative, parallel system to the Israeli occupation - one capable of resisting it (Abdul Hadi, 2005).

Each civil society institution oriented towards development operates in its own domain and occasionally within joint domains as well. Their activities intertwine with efforts of official institutions in preserving the Palestinian social fabric and in the fields of health, education, culture, and social welfare. In addition, they interact with the surrounding environment, reacting to roles played by neighboring countries and roles played by the Israeli occupation with its different manifestations and dynamics. They also interact with the wider environment as they work to secure external funding sources, advocacy and support linkages from United Nations agencies and other international institutions (Giacaman, 2006).

Activities sponsored through Palestinian civil society institutions and organizations have a significant impact on the community. As result, they hold a large degree of responsibility for both the positive and negative outcomes of their programs. But not all institutions and organizations operate effective, well-managed programs, so the individual impact of civil society groups varies widely from organization to organization. Similarly, community response to civil society programs varies in accordance with how well the programs serve the needs of its target groups (Bisan Center, 2005).

Professional associations and the Palestinian private sector play a large role in society as well. Professional and trade associations serve to regulate industry activity, set rules of professional conduct, organize relationships between trade associations and members, settle intra-industry conflicts, and promote their members' financial interests (Birzeit University, 2005).

The private sector attempts to respond to the growing needs of Palestinian society. It seeks to upgrade its own performance levels by establishing relationships with funding agencies and maintains constant communication with industry counterparts abroad. The private sector continued to serve as a primary source of employment and resisted

efforts from the Israeli market to completely swallow the Palestinian market, especially in the time period from 1994 until the second Intifada (Birzeit University, 2005).

Another example of professional coordination serving the common welfare is the Palestinian NGO network, created to promote cooperation and synergy of effort among its members and to strengthen their collective social and political contributions. In addition, a number of industrial unions and chambers of commerce, agricultural associations and literature and arts forums have been formed (Giacaman, 2006).

## **2.2 The Roles of Traditional and Modern Social Institutions in Preserving Society**

Both traditional and modern social institutions play significant roles in preserving Palestinian society. Traditional institutions have consistently proven that they, as social agents, do provide acceptable solutions for some of the difficulties faced by society. Society reinforces the role and legitimacy of traditional institutions by continuing to rely on their structures, norms and methodologies (Bisan Center, 2004). Traditional institutions have also successfully maintained critical communications and cultural linkages among different sectors of Palestinian society within the occupied areas. They provide social solidarity, tribal justice, assistance to the needy and organize volunteer and charitable activities, in the absence of the rule of law and a modern governmental substitute for these functions. The existence of traditional institutions also slows the processes of geographic fragmentation and social disintegration brought on by the Israeli occupation (Abu Al Hejaa, 2004).

Modern institutions enjoy varying degrees of social acceptance for a number of different reasons. For example, it is virtually impossible to distinguish among the various Palestinian political movements and political parties simply on the basis of their stated political goals. Often, their proposed social programs are too generalized, as well as idealistic and utopian, and will never be realized or implemented under the prevailing conditions. In other words, their stated goals were not crafted with a realistic view of or in response to existing political, social and cultural challenges of Palestinian society today (PNGO, 2004).

Neighboring Arab countries have played an important role in the maintenance of the status quo within Palestinian society. Some Arab countries use the Palestinian internal conditions to their own benefit as they seek to implement their regional political strategies. In addition, traditional biases (tribal, sectarian and patriarchal) play a role in maintaining the prevailing condition of internal fragmentation (Birzeit University, 2005).

These factors partially explain the failure of Palestinian movements and parties to fulfill their expected roles in the internal and external political struggle. Some political groups have begun to promote anti-democratic platforms under the pretext of resistance to the occupation. As result, the entire democratic decision-making process, including the need to guarantee that decisions taken are actually implemented, is being increasingly abandoned and the required periodic rotation of authority is postponed or overlooked (Birzeit University, 2005).

Post 1967, the number of Palestinian NGOs and their role in society notably increased. That role became even more critical following Israeli incursions into the Palestinian territories and the intensified attempts to destroy the PNA since 2000. Civil society organizations greatly advanced the processes of modernization and development in this period, and unceasingly worked to establish a functional system of civil services to oppose the Israeli system (PNGO, 2003)

Palestinian NGOs have worked to meet community needs since 1967. They strive to remain abreast of a host of newly emerging responsibilities, in the absence of a functioning PNA and in the presence of hostile occupation forces. After 1994, they also operated in the absence of any supportive network of government regulations or policy (PNGO, 2003).

Donor funding played an important role in the development of the Palestinian NGO infrastructure. Since 1967, donor assistance created a reliable revenue stream, built internal capacity and transferred technical know-how and development experience to NGOs in all sectors of Palestinian society (Shah, 2005). NGOs in turn utilized its relationships within the donor community to promote understanding of the Palestinian

political cause and to resist the occupational authority's attempt to hide the harsh realities of Palestinian daily life from the eyes of the world (Birzeit University, 2005).

However, the relationship of Palestinian NGOs and the donor community is not without negative aspects. Donor aid is often accompanied by specific, and sometimes conflicting, political agendas. Lack of internal organization and clearly established sets of priorities within the NGO community forced many civil society associations to accept without challenge the will of donor groups. The heightened state of dependency weakened the ability of Palestinian NGOs move decisively in the direction of sustainable development, and resulted in the wasting of financial resources, duplication of projects, diminished quality of services, and a subjugation of the NGO leadership and vision to the donor community. In addition, donors unintentionally pitted NGOs against one another in an unhealthy competition for funding. NGOs tailored their programs to align with the stated objectives of donor initiatives in order to secure resources (Bhargouthi , 2000).

A study commissioned by the NGO Development Center (NDC, 2006) mentions that another popular criticism against NGOs is their lack of accountability to their beneficiaries as well as to the general public. The study on the role and performance of Palestinian NGOs in health, education and agriculture by the Bisan Center already pointed out that many NGOs are mostly concerned about reporting to their donors but not to the community for which they received funds, nor are they known to publicly declare their income and expenditures. There is a growing sense of corruption in some NGOs – an impression that is contributing to a decline in the image of NGOs in general. This is aggravated by the fact that some NGOs are becoming too protective of organizational information citing security concerns. These accusations are diminishing the credibility of NGOs in exacting transparency from government when they themselves are reluctant to exercise the same (NDC, 2006).

The Palestine Human Development report (2004) clarifies that there are numerous concerns about NGOs being disconnected from the community. There is a sense that the pressure for professionalization is forcing NGOs to produce project results without emphasis on strengthening their link to the grassroots. Some people think that grassroots groups are beginning to distrust NGOs because they are being perceived to be cornering the funds and that they are living off the misery of the poor through their

perceived high salaries (clearly a result of lack of NGOs' transparency and accountability towards them). On the other hand, others feel that communities are developing a utilitarian relationship towards NGOs---accepting the much needed services they offer despite their distrust. Indeed, a comparison of public opinion polls conducted in 2002 and 2004 indicate that the level of trust in Palestinian civil society organizations has varied and that the level of trust in most institutions has dropped (Birzeit University, 2005).

Indeed, one of the conclusions of the Palestine Human Development Report is that: *“There is a lack of clearly established and articulated Palestinian priorities within a comprehensive Palestinian development vision. Similarly, no effective coordination mechanism between the PNA and civil society organizations exists. The resulting administrative vacuum strengthened the donors’ development agenda and political influence, and increased the dependence of civil society organizations on donor funding and expertise. The absence of the rule of law, procedural transparency, and democratic systems, as well as in the absence of a culture supporting rotation of power within PNA institutions and civil society organizations contributed to the degradation and dependence of civil society”* (Birzeit University, 2005).

## **Section Two**

### **The Role of International Donors and Funding Agencies**

#### **2.3.1 Introduction:**

Following the signing of the Oslo Accords (the Declaration of Principles) between the PLO and the Israeli government in September 1993, in October of that same year the donor countries held a conference in which 42 nations and institutions took part. The purpose of the conference was to adopt a specific strategy for providing financial and technical assistance to the new Palestinian National Authority, which was established within the framework of the Oslo Accords. This donor conference sought to empower the PNA to administer the Palestinian areas, implement projects for restoring infrastructure, establish facilities and institutions, and to manage the funding of the comprehensive development process. The speed with which the international community took action bestowed significant economic credibility on the Oslo Accords among Palestinian citizens, who were at first hesitant to support the agreement's political and security arrangements. The international community's action was based on the premise that it was imperative to garner all financial resources needed to make the agreement successful, and with a full understanding that in order for the Accords to stand in the face of daily challenges on the ground, ordinary Palestinians needed to perceive positive change in their lives (Birzeit University, 2005).

This initial financial initiative was subsequently developed even further, and came to be referred to as the "peace dividend" in the literature of supporters of a peaceful settlement to the Arab-Israeli conflict and regional coexistence. And, in fact, contribution commitments totaled \$2.4 billion only three months after the conference that created the "peace dividend" — the five-year funding plan for reconstructing and developing the Palestinian economy and infrastructure. Thereafter, international assistance for the Palestinian people began pouring in from multiple sources and through numerous channels. Financial pledges took various forms, came with substantial conditions, and were funneled in to the PNA in a disorganized manner.

Assistance funds totaled more than \$6 billion at the end of the first half of 2004, resulting in an average annual per capita assistance level of \$310 per person, considered one of the highest levels of aid in the world (Birzeit University, 2005).

These large amounts of foreign assistance played an important role in upgrading Palestinian infrastructure facilities and reducing the destructive impact of the Israeli policies and practices during the ten years following the Oslo Accords. However, this assistance was not made part of a systematic national plan for development and reconstruction. A substantial portion of it has gone toward covering the fees of foreign advisers and experts. Further, much of the assistance is hostage to the advance of the peace process, and a large portion of it has been directed toward preventing this process from collapse. These factors have limited the role of international assistance in the development of Palestinian society and the strengthening of its internal capacities in the face of chronic and acute challenges. In addition, there have been numerous doubts and questions raised by local and international observers regarding the efficacy of this assistance in promoting the Palestinian economy's opportunities for emancipation from severe dependency on its Israeli counterpart and in empowering Palestinian society to achieve comprehensive, sustainable development (Berzeit University, 2005).

### **2.3.2 The Main Characteristics of International Funding**

There is portion of the research examines the various sources of international funding, distribution of this funding by sector, and the manner of distribution. The period during which assistance was provided to Palestinians will be divided into three main stages. *The first stage*, extending from 1994 until the end of 1997, was characterized by continuous reversal in most economic indicators, along with rising unemployment and poverty rates as a result of the Israeli authority's closure policy at that time.

*The second stage*, from 1998 through 2000, was, in contrast to the previous stage, characterized by tangible improvement in a number of economic and social indicators in the Palestinian territories, as seen in a rise in Palestinian GDP and declining rates of unemployment and poverty among Palestinians.

*The third stage*, which began with the outbreak of the Al-Aqsa Intifada, with the accompanying Israeli policies, inflicted excessive damages on the infrastructure and superstructure of all sectors within the Palestinian territories. The impact of these measures became readily apparent in early 2001 and continued to escalate through the time (Birzeit University, 2005).

### **2.3.2.1 The Nations and Institutions that Provide Assistance**

At their first meeting in Washington, DC, in October 1993, the donor parties (nations and institutions) pledged to provide approximately \$2.4 billion to the Palestinians over the course of the next five years. This sum continued to increase regularly during subsequent years as a result of the faltering peace process and accompanying instability in conditions prevailing in the Palestinian territories, along with the increase in needs and consequent increase in the assistance necessary for Palestinians to survive. The value of pledges had risen to approximately \$3,420 million as of the end of October 1997, and by mid-2003 total pledges since 1994 had reached \$7,365 million. During this period, the share of the United States was the largest among the donors and amounted to approximately \$1,450 million, or 19.7 percent of total pledges. This was followed by the European Union, with 13.1 percent of total pledges. The Arab countries pledged approximately \$911.7 million during that period. The pledge of the United Arab Emirates (amounting to \$310 million) comprised the largest share of total pledges by Arab countries, followed by Saudi Arabia (which pledged \$300 million) (PNGO, 2003).

Notwithstanding the importance of donors pledges of assistance, these parties did not disclose whether they intended to provide monetary or in-kind assistance, and they specified the value of this assistance without providing any official commitment or delving into details related to the mechanism of assistance provision or end objectives. The analysis will thus be limited to the two stages subsequent to the donor parties' pledges; the commitment stage and the actual disbursement stage.

During the commitment stage, a commitment to provide assistance was made through an agreement or memorandum of understanding specifying the amount, the objective, and the provision mechanism. This stage is regarded as an important advance step that

precedes the actual transfer of assistance funding. If the assistance that the donor parties committed to provide was transferred, this meant moving on to the third and final stage—the disbursement stage. International institutions operating in the Palestinian territories, especially the World Bank, oversaw this stage, and occasionally some countries preferred to provide assistance directly, by opening special accounts in banks from which withdrawals were made for expenditure on agreed upon projects (MOP, 2005).

PNA Ministry of Planning data indicate that between 1994 and mid-2003, donor parties total commitments amounted to approximately \$6,708 million, at an annual rate of approximately \$670 million. These commitments comprised approximately 91 percent of total pledges made during the previous period, and these parties had actually provided approximately \$6,552.6 million in assistance as of the end of 2003 (at an annual rate of approximately \$655.3 million), or 97.6 percent of total commitments and 89 percent of total pledges. The year 2001 saw the highest amount of assistance disbursement, amounting to approximately \$1,045.8 million, whereas the lowest amount was in 1998, a year when the value of actual assistance did not exceed \$420.1 million (MOP, 2005).

Returning to distribution of assistance according to the time-based stages, total commitments during the first stage amounted to \$2,858.9 million, as compared to \$2,269.2 and \$1,580.2 million in the second and third stages, respectively. As for actual disbursement, it amounted to approximately \$2,029.3 million (71 percent of commitments) during the first stage, as compared to \$1,465.9 million disbursed during the second stage (64.6 percent of commitments). The highest amount of assistance was disbursed during the third stage (the stage of the Al-Aqsa Intifada), when approximately \$3,057.4 million was disbursed as a result of the difficult conditions in the Palestinian territories during that time, in addition to a change in the forms and sources of assistance (MOP, 2005).

With regards to the entities that have provided assistance, they are categorized into seven groups: the Arab nations, the European Union, the United States, Japan, international institutions, European countries, and other nations. The data indicate that

the European countries were the largest contributor, both in terms of commitments and actual disbursement. During that period, they committed to provide approximately \$1,107.6 million, of which approximately \$810.9 million, or 73.2 percent, was disbursed. If what was provided by the European Union is included, then total assistance provided by the European continent to the Palestinians exceeded \$1 billion, or more than 50 percent of total aid provided during the first stage (PNGO, 2004).

The problem with the European Union, however, is failure to honor agreed upon commitments; no more than 42.1 percent of total commitments have been disbursed, and this percentage is extremely low compared to the overall average disbursement percentage for the first stage, which was 71 percent. With regard to the Arab nations, they ranked third in terms of commitments and fifth in terms of actual disbursement. Saudi Arabia's contribution was the largest throughout the stage. The extent to which Japan has honored its commitments is worth noting, in that its actual disbursements have exceeded its commitments (103 percent); this brings Japan's total actual assistance to approximately \$308.3 million, making it second after the European nations in this regard. It is joined in this by the United States, which ranked fifth in terms of commitments and third in terms of disbursement, providing more than \$285 million during the first stage, or 97 percent of its total commitments (PNGO, 2004).

**The second stage**, from 1998 through 2000, saw a decline in all assistance indicators. Total commitments fell by approximately 20 percent compared with the previous stage due to having tangible improvement in a number of economic and social indicators in the Palestinian territories, as seen in a rise in Palestinian GDP and declining rates of unemployment and poverty among Palestinians. Total commitments amounting to approximately \$2,269.2 million. Likewise, the percentage of disbursal of commitments fell to 64.6 percent. This means that actual assistance in the second stage declined approximately 27.8 percent compared with the previous stage; it amounted to \$1,465.9 million with an annual average of approximately \$488.6 million (as compared to \$507.3 million in the first stage), taking into account that there were three years in this stage and four years in the first stage (MOP, 2004).

Of the nations that provided assistance, there was a rise in the amount and percentage of assistance committed by the United States out of total commitments during this stage; it rose to approximately 35.5 percent, occupying third place after the European nations and the European Union. However, the United States surpassed the European Union in terms of actual disbursement, as the percentage of actual disbursement by the European Union remained low (approximately 46.3 percent of its total commitments) (MOP, 2005).

The Arab nations' contribution fell substantially during this stage, both on the level of commitments and on the level of actual disbursement; these indicators fell by 67.5 percent and 45.4 percent, respectively. Nonetheless, there was improvement in the percentage of actual disbursement of Arab assistance, which exceeded 104 percent. This is primarily attributed to the outbreak of the Al-Aqsa Intifada and the Arab nations provision of \$30 million during its first year, following the Arab summit held in Cairo in October 2000 (MOP, 2005).

Indicators for Japanese assistance fell as well, with its commitments declining by approximately 44 percent and its actual assistance declining by approximately 57 percent. There was also a change in Japan's disbursement percentage, which dropped to 79 percent (after having been 103 percent during the first stage). As for international institutions, they began to play a bigger role in the international funding process, coming to occupy fourth place in terms of commitments and actual disbursement. This is in spite of the decline in the absolute value of these institutions total commitments. A number of factors contributed to this development, including the drop in total commitments during this stage and the setting of these institutions actual assistance at around \$140 million (nearly equal to their contribution during the previous stage), which elevated disbursement to 78 percent (Birzeit University, 2005).

**The third stage**, reflecting developments in international assistance during the present Intifada, saw numerous changes in the structure, forms, objectives, and even sources of assistance. A new factor came into play, which was the nature of assistance provided by the Arab nations and the allocation of the largest portion of that assistance to

emergency relief programs and job creation programs, in addition to support for the PNA's current budget (MOP, 2005).

There was a large increase in total actual assistance provided by the Arab nations, whereby these nations decided at the Arab summit held in Cairo in 2000 to establish the Jerusalem Fund, with \$200 million in capital, and the Al-Aqsa Fund, with \$800 million in capital. Therefore, the Arab group ranked first among donors in providing more than \$903.4 million. The amount of assistance provided by the European Union increased, especially that supporting the PNA's current budget and employee salaries. The total amount provided by the European Union reached more than \$787.3 million, bringing it to second place among the donors. The United States came in fourth, behind the European nations, despite the increase in the absolute value of its assistance as compared to the previous stage; it provided \$482.3 million (as compared to \$260.4 million in the previous stage) (Birzeit University, 2005).

**Table 2-1: Donor Contribution to International Assistance from (2005-2008),  
in Millions of USD**

<b>Donor</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total From 2002-2008</b>
	<b>Disbursements</b>	<b>Disbursements</b>	<b>Disbursements</b>	<b>Disbursements</b>	<b>Disbursements</b>
European Countries	690,735,710.65	840,617,029.49	1,110,772,351.92	386,695,978.5	5,163,923,882.60
Arab Countries	207,913,547.7	190,160,224	444,503,491	232,193,520	1,614,192,872
Arab Countries AL-Aqsa and Al-Quds Fund					5,023,696.00
Arab League		31,086,248.00		100,000.00	31,186,248.00
Asian Countries	42,186,052.22	48,754,204.36	17,090,952.31	13,960	473,735,677.1
North American Countries	194,593,871.60	152,719,390.97	167,199,423.26	150,072,999.70	1,513,335,535.57
Canada	18,490,923.60	25,345,391.97	25,080,705.26	13,290.70	115,980,873.57
USA	176,102,948.00	127,373,999.00	142,118,718.00	150,059,709.00	1,397,354,662.00
Others	22,792,796.50	71,884,013.50	4,650,248.00	742,847.00	203,996,378.00
The World Bank Group	37,146,289.00	27,510,778.00	22,348,678.00		361,378,362.00
UN Agencies	2,736,022.00	4,336,587.00	205,798.00	263,783.00	24,242,932.00
<b>Totals</b>	<b>1,198,104,289.63</b>	<b>1,335,982,227.31</b>	<b>1,770,039,865.09</b>	<b>770,000,814.96</b>	<b>9,382,496,085.05</b>

Source: Ministry of Planning, Palestine Assistance Monitoring System Reports, donor's matrix: [http://db.mop.gov.ps/amc/donor\\_matrix.asp](http://db.mop.gov.ps/amc/donor_matrix.asp). (05/09/2008).

### **2.3.3 Distribution of Assistance by Sector**

In the interest of following the course of international assistance in an attempt to identify its various directions and its distribution by sector, the Palestinian Ministry of Planning's distribution diagram was employed. This distribution diagram categorizes assistance in terms of five main usage areas: infrastructure, productive sectors, social sectors, institution building, and miscellaneous sectors.

The reports issued by the Ministry of Planning point to the social sectors as having absorbed the largest portion of actual assistance to Palestinians during the last five years, whereby their share was approximately 31 percent of total assistance. The social sectors encompass numerous branch sectors, including education, health, youth, children, women, and humanitarian assistance. Despite the importance of these sectors to the Palestinians, they are not ranked first in terms of Palestinian priorities and needs or the extent of their impact on Palestinians' economic and social well-being (MOP, 2005).

The social sectors are followed by the infrastructure sector, which encompasses energy, housing, hard currency, communications, transportation, and others. This sector ranked second, accounting for approximately 30 percent of assistance disbursed. The infrastructure sector is considered vital to the Palestinian economy. Growth in the infrastructure sector can instigate growth in numerous other economic and social areas, such as job creation and thereby mitigate problems of unemployment and poverty. It can also help jumpstart the Palestinian economy due to its forward and backward linkages with various sectors—in addition to the role played by a healthy infrastructure in attracting local and foreign investment by reducing investors overall investment costs. This sector had ranked first among commitments, but a decrease in the percentage of disbursements to it, which did not exceed 53 percent, made it second (MOP, 2005).

Institution-building occupied third place, with expenditures accounting for 27 percent of actual assistance. There was a clear decline in the share of the productive sectors in total assistance, as it did not exceed 11 percent of total commitments, and that dropped

to 9 percent of total disbursement. Moreover, there was a decrease in the percentage of disbursement for these sectors in a manner similar to that in the infrastructure sector, as this percentage did not exceed 53 percent. The miscellaneous sectors, or those falling outside of the previous categories, ranked last, accounting for no more than 3 percent of total commitments and disbursement alike. These groups encompass numerous sectors that cannot be categorized within the previous groups due to their multiplicity and the differences between them, or because they came into being in response to the emergency conditions during the previous stage.

With regards to distribution by sector during the three stages the three main sectors (infrastructure, the social sectors, and institution building) benefited equally from actual assistance during the first stage, with each accounting for 30 percent (Birzeit University, 2005).

In looking at total assistance to the Palestinians since the outbreak of the present Intifada, the social sectors accounted for 68.5 percent. This is attributed to the swelling of emergency humanitarian and relief assistance, which falls within the social sectors. As for the infrastructure sector, its share of total assistance declined in this stage to approximately 10 percent (as compared to 37.6 percent in the previous stage). As for the share of the productive sectors, it did not exceed \$98.5 million, or less than 3.2 percent of actual assistance, despite the importance of these sectors in strengthening the Palestinians and promoting their capacity for perseverance (Birzeit University, 2005).

With regards to distribution of assistance according to its various uses, Ministry of Planning data indicate that public investment accounted for 32 percent of total actual assistance during the previous years, whereby approximately \$1,393 million was disbursed for this purpose. Twenty-eight percent of assistance was allocated to technical investments and experts; the donor parties relied heavily on these investments to ensure that assistance was disbursed in a competent manner and directed toward the necessary goals. Notwithstanding the importance of this type of assistance, its exaggeration is often at the expense of the value of real assistance to recipient countries, consequently affecting the effectiveness and capacity of international assistance to achieve the desired goals (MOP, 2005).

The main uses for assistance include supporting the PNA's general budget, especially the development budget, whose share of actual assistance was approximately 12 percent. If the grants for supporting the current budget are added, contributions earmarked for development increase substantially; since the outbreak of the Al-Aqsa Intifada, the donor parties have provided more than \$1,300 million for this use. As for in-kind assistance provided to the Palestinians in the form of equipment, it comprised approximately 8 percent of total actual assistance, and approximately 5 percent of assistance was disbursed through job creation programs for the unemployed. Only 3 percent was disbursed to support the private sector (Berzeit University, 2005).

**Table 2-2: Donor Contribution to International Assistance by Sector  
(2005-2009), in Millions of USD**

<b>Sector</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>TOTAL</b>
	<b>Disbursement</b>	<b>Disbursement</b>	<b>Disbursement</b>	<b>Disbursement</b>	<b>Disbursement</b>	<b>Disbursement</b>
Education, level unspecified	26,013,915.02	17,930,064.73	16,641,319.50	10,916,362.79	2,427,850.00	73,929,512.04
Basic education	371,301.16	1,707,960.69	2,688,017.60	1,839,936.63		6,607,216.08
Secondary education	4,968,181.78	7,858,675.73	4,773,973.25	5,333,012.49	510,919.84	23,444,763.09
Post-secondary education	17,869,185.92	8,520,709.04	5,247,270.48	4,638,905.98	1,913,637.00	38,189,708.42
Health, general	15,848,291.08	36,851,867.61	10,057,850.34	28,555,542.02	1,060,000.00	92,373,551.05
Basic health	14,118,884.84	40,646,546.74	19,216,232.97	9,026,134.34	339,428.60	83,347,227.49
Population Policies/Programmes And Reproductive Health	4,908,682.11	4,704,775.78	4,982,061.08	1,198,833.60		15,794,352.57
Water Supply And Sanitation	56,362,548.06	49,425,939.19	53,335,674.24	43,294,037.16	5,025,056.71	207,443,255.36
Government and civil society, general	84,410,956.90	66,214,794.85	59,237,881.64	85,721,273.51	10,393,109.26	305,978,016.16
Conflict prevention and resolution, peace and security	9,948,839.54	9,732,205.43	10,555,913.05	23,150,005.71	1,480,678.40	54,867,642.13
Other Social Infrastructure and Services	123,765,261.02	261,396,974.84	398,208,243.70	176,694,980.90	5,164,856.90	965,230,317.36
Transport And Storage	60,987,366.08	5,084,828.15	7,770,894.04	4,875,879.34		78,718,967.61
Communications	14,167.00	427,516.00	184,163.41	1,400,283.41		2,026,129.82
Energy Generation And Supply	31,214,769.64	35,313,070.83	18,983,040.33	41,465,939.29	54,425,000.00	181,401,820.09
Banking And Financial Services	575,681.75	6,972,819.51	7,420,842.95	24,564,558.90	30,031.00	39,563,934.11
Business And Other Services	596,126.55	762,594.03	1,618,438.89	8,864,553.45	719,335.78	12,561,048.70
Agriculture	8,010,661.11	13,137,772.46	12,586,465.89	16,950,442.81	3,104,251.02	53,789,593.29
Fishing			9,985.00	382,260.00		392,245.00
Industry	22,980,305.95	3,745,961.28	2,538,608.19	4,000,000.00	88,494.00	33,353,369.42

Mineral Resources and Mining			11,384.51			11,384.51
Construction				18,629,726.00	500,000.00	19,129,726.00
Trade Policy And Regulations	601,363.27	147,605.34	645,410.02	13,121,866.29		14,516,244.92
Tourism	5,088,396.32	74,805.20	7,749.77	110,579.70	96,018.00	5,377,548.99
General environmental protection	2,207,307.47	2,814,533.93	5,356,053.40	2,403,323.70		12,781,218.50
Other multisector	76,986,377.96	29,234,398.21	36,252,220.17	109,892,149.53	10,213,177.14	262,578,323.01
General budget support	219,734,742.00	266,849,648.63	527,097,221.83	1,784,856,551.14	278,432,301.93	3,076,970,465.53
Developmental food aid/Food security assistance	5,276,182.18	5,378,344.50	5,686,782.66	71,994,222.41	266,550.00	88,602,081.75
Other commodity assistance		117,961,300.73	125,665,788.21			243,627,088.94
Emergency Response	168,515,268.72	191,514,114.83	136,843,533.53	260,013,503.23	20,343,917.00	777,230,337.31
Reconstruction relief and rehabilitation	58,792,565.16	25,781,214.77	39,271,062.88	67,361,059.90	1,097,096.00	192,302,998.71
Disaster prevention and preparedness					417,882.40	417,882.40
Administrative Costs Of Donors	943,219.34	708,906.79	109,910.42	108,373,892.57	4,486.00	110,140,415.12
Support To Non-Governmental Organizations (NGOs)				1,287,526.82		1,287,526.82
Unallocated/ Unspecified	9,229,396.60	8,409,489.78	8,748,014.25	4,987,667.95	27,032.00	31,401,600.58
Core Funding to UNRWA	133,446,527.36	119,269,550.25	165,812,900.44	257,517,829.63		676,046,807.68
<b>Totals</b>	<b>1,163,786,471.88</b>	<b>1,338,578,989.86</b>	<b>1,687,564,908.65</b>	<b>3,193,422,841.20</b>	<b>398,081,108.97</b>	<b>11,439,757,113.07</b>

Source: Ministry of Planning, Palestine Assistance Monitoring System Reports, donors

Sectors matrix:

<http://db.mop.gov.ps/amc/DonorSectorResult.asp?donorid=27&sectorid=8&datefrom=01/01/1980&dateto=31/12/2008&dyear=1980&dyeart=2008&gl=2>. (05/09/2008).

#### 2.3.4 Forms of Assistance:

In many lower-income countries, support from external organizations and countries often necessary for the development and implementation of a strategy. This may be in the form of grants or loans and it could be also as bilateral or multi-lateral support (SNSD, 2000). For example, during the years between 2000-2003, US \$ 20.8 billion were lent by World Bank to large number countries (The World Bank 1, 2003). World Development report 2004 discussed the issue of donations, drawing attention to insufficiencies regarding to the performance of donors (The World Bank, 2004).

The main reasons of these insufficiencies are that donors prefer to support only capital spending also aid agencies want to be able to identify their own contributions despite that recipients may not consider these targeted sectors as high priority areas. Aid agencies want to see quick results, donors often are most comfortable with services delivery systems of the type operating in their own country, also donors prefer to design and implement their intervention. Therefore, donors should simplify policies and practices and allow recipients to pursue their objectives more efficiently. There is a need for donor coordination, so that the capacities of recipient communities are not undermined or distracted by overlapping and sometimes conflicting demands (Byerlee, 1999).

Ministry of Planning data indicate that the international assistance donors committed to provide during the previous period was not all in the form of grants and donations. More than 16 percent of this assistance was in the form of loans, the largest portion of which comprised liberal loans with extended repayment periods. It should be pointed out that most assistance provided by the United States and Japan during the previous period was in the form of grants and donations (MOP, 2005). During the **first stage** (1994-1997), loans comprised approximately 6.8 percent of total assistance. In terms of the donor parties, most actual assistance provided by the European Union and Arab nations was in the form of grants and donations. International institutions provided only 23.5 percent of their assistance in the form of grants and donations, while the remaining was in the form of loans. The percentage of loans provided by the European Nations was only approximately 3.7 percent of their total assistance.

During the **second stage**, there was a significant shift in the forms of assistance provided, whereby the percentage of loans increased to approximately 19 percent of total actual assistance. That increase resulted from a policy shift on the part of the European Union and the Arab Nations in favor of lending at the expense of grant provision. The percentage of loans out of the assistance they provided thus reached 24.6 percent and 37 percent, respectively. This also was reflected in the amount of loans taken by the PNA, wherein loans doubled during the second stage as compared to the first stage, rising from \$138.6 million to \$278.4 million (MOP, 2005).

With regards to the **third stage**, a rise in the percentage of loans out of total actual assistance during that stage, reaching approximately 18.8 percent. This is primarily ascribed to the loan provided by the Arab Nations through the Islamic Development Bank in the amount of \$480 million. This increase occurred in spite of the substantial deterioration of conditions in the Palestinian territories during that period—at a time when, in view of those conditions, along with a drop in the PNA’s revenues and consequent decline in its capacity to meet Palestinian needs, the donor parties should not have placed additional burdens on the Palestinians. What is notable in that stage is the increase in the percentage of loans granted by the Arab nations out of the total assistance they provided, even as the percentage of loans provided by the European Union and European nations fell to less than 2 percent and 1.7 percent of their total assistance, given the PNA’s financial resources gap and the difficult conditions in the Palestinian territories (MOP, 2005)

### **2.3.5 The Role of International Funding in Building Palestinian Institutions and Strengthening their Capacity**

Non-Governmental Organizations (NGOs) have become quite prominent in the field of international development in recent decades. But the term NGO encompasses a vast category of groups and organizations.

The World Bank, for example, defines NGOs as “private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development.” A World Bank adds, “In wider usage, the term NGO can be applied to any non-profit organization which is independent from government. NGOs are typically value-based

organizations which depend, in whole or in part, on charitable donations and voluntary service (World Bank, 1999).

Different sources refer to these groups with different names, using NGOs, Civil Society Organizations (CSOs), Private Voluntary Organizations (PVOs), charities, non-profits charities/charitable organizations and third sector organizations. These groups can encompass a wide variety of groups, ranging from corporate-funded think tanks, to community groups, grassroots activist groups, development and research organizations, advocacy groups, operational and emergency/humanitarian relief focused. So these terms may be used interchangeably, and sometimes using NGOs as the umbrella term (Shah, 2005).

The World Bank document points out that “Since the mid-1970s, the NGO sector in both developed and developing countries have experienced exponential growth. It is now estimated that over 15 percent of total overseas development aid is channelled through NGOs”. Such organizations must operate as a non-profit group. While in that respect, NGOs are meant to be politically independent, in reality it is a difficult task, because they must receive funding from their government, from other institutions, businesses and/or from private sources. All or some of these can have direct or indirect political weight on decisions and actions that NGOs make (World Bank, 2004).

Approximately 60 institutions and ministries fall within the category of official institutions in Palestine. These can be divided into two main groups based on the services they provide: institutions that provide social services (such as education, health, housing and relief programs) and institutions that provide security services (such as the police and various branches of the armed forces) (Birzeit University, 2005).

The World Bank estimates that the Palestinian NGO community includes approximately 1,200 Palestinian institutions and approximately 200 international institutions working in the Palestinian territories. The activities of these institutions are usually categorized into three groups according to the type of activity they perform (World Bank, 2004).

The first group engages in charitable and social welfare activities designed to serve needy segments of the population. The second group engages in development activities that build individual and group capacity through education, training, and organizational consulting, such as developing marketing skills. The third group works to prepare individuals and groups to assume positive decision-making roles in local, national, and international institutions. This group usually engages directly in the political activity of the state and local governmental bodies (World Bank, 2004).

The donor countries play a central role in building institutional capacity within the government. They support these institutions with material and in-kind assistance as long as the institutions successfully fulfill their mandated tasks and provide basic levels of service to the citizenry. During the past four years, the role of donor countries providing funding in this area increased substantially, as the PNA progressively weakened and failed to carry out its responsibilities. Huge sums of international assistance (approximately \$1,225 million) were given to shore up the PNA budget (MOP, 2004). However, World Bank estimates indicate that the level of services provided by the PNA have continually declined, specifically evidenced by the lack of environmental protection and preventive health services provided by the PNA in the Palestinian territories, as result, all international funding to these two areas was cut off (The World Bank, 2004).

International assistance has also played an important role with NGOs in the Palestinian territories, as it provides them with necessary funding and in-kind technical support which helps the NGOs comply with the inflexible, complicated financial and administrative requirements imposed by donors on the management and implementation of NGO programs. World Bank estimates indicate that approximately 60 percent of primary health care services for Palestinians are provided through NGOs. NGOs also play significant roles in the areas of education, agriculture, provision of support and assistance to persons with special needs, housing programs for limited income families, and lending programs for small-scale projects (Shaaf 1, 2002).

### 2.3.6 The Extent to Which International Funding Reflects Palestinian Priorities

The extent to which international funding reflects Palestinian priorities is regarded as one of the most important criteria used to measure the impact of international assistance in empowering Palestinian society and to determine whether or not that assistance has achieved its desired goals.

Donor interests and Palestinian priorities seem to deviate significantly. This is demonstrated by comparing the proposed allocation by sectors and donor's commitments in 2000 as shown in table (2-3)

**Table 2-3: Sectoral Allocation by PDP Versus Commitments and Disbursed by Donors**

<b>Sector or Sub-sector</b>	<b>Allocated by PDP (\$1000)</b>	<b>Committed by Donors (\$1000)</b>	<b>Disbursed by Donors (\$1000)</b>	<b>% Disbursed to Allocation</b>
Agriculture	48,534	13,923	9,770	20
Transportation	59,094	23,147	43,978	74
Environment	11,250	17,991	1,384	12

*Source: Shadid, M., (2002). Donor's Assistance to Palestinian Development: Towards Better Guidance. Human Development Report, Birzeit University.*

The variation does not mean that the assistance to Palestinian people has not been effective but its impact could have been greater if donor funding interests and Palestinian development priorities were more closely matched. The management of donors relation in never simple. Aid is an investment of foreign policy, and is intended to serve the interests of donors, the objective is always to minimize the divergence between the interests of donors and recipients (Shadid, 2002).

The impact of international assistance on empowerment is judged by the extent to which the assistance is effectively allocated across sectors in order to address the maximum number of development priorities and to meet the needs of the Palestinian people. Measuring the benefits of donor funding is extremely challenging, as it is not

delivered through one central body with a harmonized set of goals, objectives and priorities via a single set of processes (Birzeit University, 2005).

The social sectors absorbed approximately 47.6 percent of assistance to Palestinians from 1994 through the end of 2003. This percentage was not steady throughout the period; it did not exceed 30 percent until 2000, yet it has exceeded 68 percent since the outbreak of the Al-Aqsa Intifada. As also seen previously, the rise in the social sectors share of funding was due to an increase in the amount of emergency humanitarian and relief assistance and the grants provided to support the current budget, which fall within this area. This type of assistance provides relief for many Palestinian families and creates jobs for a large number of unemployed—in addition to its role in preventing the collapse of the PNA by supporting its current budget and payment of its employees.

However, it does not incorporate any development priorities and is not linked to a strategic plan or central vision; rather, its role is limited to relief aid. In addition to emergency assistance, the social sectors also received assistance for democracy-strengthening initiatives, rehabilitation programs for persons with disabilities, the environment, human rights, and other areas. These sectors are among the most important priorities of the donor countries. Yet despite their importance, they are less capable than other productive sectors of achieving economic and social well-being that is long-term and sustainable (PECDAR, 2003).

The infrastructure sector ranked second among donors priorities, as these countries directed 22.3 percent of their total assistance for projects to rehabilitate and develop infrastructure in Palestine. The amount of assistance directed toward this sector, where the funds it was allocated did not exceed \$307 million, or 10 percent of total assistance provided during this period. This is in spite of the extensive destruction inflicted on Palestinian infrastructure facilities as a result of repeated Israeli assaults, which called for greater focus on this sector than was given. The donors, in their expenditures, relied on World Bank estimates for the costs of rehabilitating infrastructure, and these were far less than the Palestinian estimates. This sector is considered one of the priorities on the Palestinian agenda due to its forward and backward linkages within the Palestinian economy, in addition to its role in employing workers and encouraging local and foreign investment in the Palestinian territories.

The third-ranking sector among donors' priorities was institutional capacity building. It was natural for the donors to focus on this sector, especially during the beginning of the transitional stage and after the establishment of the PNA and its institutions. The donor nations spend approximately \$1,193 million, or 18.2 percent, of assistance on this sector. Once again, in providing assistance the donor parties are failing to align with Palestinian society's priorities and needs (PECDAR, 2003).

### **2.3.7 The Contribution of International Funding to Providing Ingredients of Success for the Palestinian Development Process**

It is relatively complicated to assess international assistance in terms of its direct impact on the development process in the Palestinian territories, as the lifespan of this assistance thus far is relatively short, not exceeding ten years.

Therefore, it is difficult to build an economic model for measuring this impact. Furthermore, no definitive relationship can be found between international assistance and changes taking place in the development indicators in Palestine. There is an importance to examine the indirect implications of international funding and its linkage with the macroeconomic and social indicators in the Palestinian territories. These conclusions, while not definitive, may offer some indications and evidence as to the importance of this assistance and its role in bringing about economic and social development and in empowering Palestinian society. These indicators can be of benefit in activating the role of assistance and reinforcing its positive aspects, at the same time exposing the mistakes and negative aspects that marred the funding process during the previous stage.

Economic Observers of the international funding process and its implementation in Palestine are able to note changes in the macro indicators. It is possible to track several of these indicators during the duration of the funding process along the following lines:

- **Domestic product:** Reports indicate that the gross national product (GNP) for the Palestinian territories has grown at negative rates of 3.5 percent, 10.1 percent, and 2.9 percent in the years 1993, 1995, and 1996, respectively. Positive GNP growth rates were recorded in 1998 and 1999, reaching 18

percent and 8.2 percent, respectively. The growth rate then dropped in subsequent years, especially since the outbreak of the Al-Aqsa Intifada and the accompanying Israeli measures. During the first year of the Intifada, GNP declined approximately 11.2 percent. Moreover, consecutive declines in gross domestic product have been recorded since 2001, and the growth rates were negative during the last three years at 9.4 percent, 3.6 percent, and 1 percent, consecutively (PECDAR, 2003).

- **Unemployment rates:** Unemployment rate rose to an unprecedented 55% of the Palestinian labor force resulting in direct loss of over 18 billion dollars to the Palestinian economy in the end of 2006. In addition, over 60% of the Palestinian population is living under the poverty line which has many negative impacts on the health, educational, and social conditions (Bisan Center, 2007).
- **Living standards:** There was a significant decline in Palestinian living standards after 1993, as the per capita gross domestic product (GDP) dropped by 14.2 percent between 1993 and 1995 (PECDAR, 2003). The World Bank estimated a poverty rate ranging between 38 and 51 percent for 2003 (The World Bank 2, 2003). The Palestinian Central Bureau of Statistics published a series of "Impact" surveys between 2001 and 2003, in which it reported that the household's proportion ranging between 61 and 72 percent. It also reported through its quarterly labor force surveys the percent of employees whose monthly was below the poverty line a proportion between 59 and 61 percent in 2003 (PCBS, 2004).
- **Community participation:** International assistance has contributed to the promotion of the principle of participation to a certain extent. However, it has not fully integrated this concept into the projects it supports in order for the beneficiaries to become full partners in formulating and taking decisions related to their communities (Birzeit University, 2005).
- **The Relief & Developmental role:** A mandatory shift from developmental to humanitarian aid was a direct results of the Israeli actions on the ground. It became obligatory for the Palestinian Authority and the civil society

organizations to focus their efforts on relief to prevent the collapse of the political and social system and the services sector. A large percentage of Palestinian households became dependent of foreign assistance for their livelihood. The health programs concentrated on providing primary health care to the poor, devastated areas and areas under siege as well as providing needed physiological care. This applies as well to the education, disabled rehabilitation, and agriculture which changed the priorities of the civil society. Overall, relief efforts became the main focus and advocating for civil society issues such as human rights, democracy, labor rights, and women issues was pushed to the background (The Arab Orient Center, 2004).

In 2008, the CERF (Central Emergency Response Fund) has funded two food aid projects for UNRWA and WFP in the West Bank. UNRWA has more than doubled the scale of its food aid through the CERF, by providing food parcels to more than 32,000 families. The HRF (Humanitarian Response Fund) is designated for supporting immediate response to unforeseen emergencies affecting the Palestinian population. Since its launch in August 2007 in the OPT, the HRF has supported 11 projects responding to various needs arising from humanitarian emergencies. The whole population in the Gaza Strip benefited from HRF four projects, which targeted health, water and the sewage sectors. One of the projects was to ensure the delivery of health services to people living in vulnerable areas, mainly those under continuing military attacks (OCHA, 2008).

## **2.4 Conclusion drawn from the reviewed experiences:**

It may be said that international assistance over the past ten years did not lead to achievement of Palestinian aspirations or fulfillment of Palestinian needs. Doing so would have meant empowering Palestinian society to attain independence and self-determination and laying the foundations for sustainable human development. It appears that the source of this weakness in performance stems from the main goals for providing assistance, which are supporting the Palestinian-Israeli political process and giving it the required thrust by bolstering the Palestinian economy, eliminating tensions and violence in the region and containing their causes, and spreading democratic principles and human rights among Palestinians.

These objectives have been pursued at the expense of bringing about the real development sought by Palestinians. Indeed, this assistance may have unintentionally exempted Israeli authorities from assuming economic and service-related burdens upon reoccupation of most Palestinian areas for most of the past three years, since the assistance has enabled the PNA institutions and agencies and NGOs to continue providing basic services to citizens.

At the same time, just because provision of international assistance has coincided with negative changes in a number of economic and social indicators in the Palestinian territories does not mean that the assistance is the direct cause for these changes. However, it may be ascertained from the previous information that this assistance has not provided a lasting solution to the crises and negative developments afflicting the Palestinian territories during the past ten years. And although international assistance has brought some achievements, especially in developing infrastructure, providing basic social services, and helping to strengthen marginalized groups, these achievements were unable to bring about actual empowerment of these groups, as was seen with women. Moreover, they did not utilize all means at their disposal to help promote the principle of community involvement for marginalized groups in the general budget and the Palestinian development plan.

## **CHAPTER THREE**

### **The Role of USAID FUNDING in Society Building and Empowerment of the Palestinian People**

### **3.1 Introduction:**

For decades, the United States ranked first among the developed countries in net disbursements of economic aid, or “Official Development Assistance (ODA)” as defined by the international donor community. In 1989, for the first time, Japan supplanted the United States as the largest donor. The United States regained its leading position in 1990, only to lose it again in 1993 and fluctuated between a second and third position until 2001. In that year, it again became the largest contributor and remained in the position in 2002 with a contribution of \$13.3 billion (Tarnoff, 2004).

The United States is the leading provider of bilateral economic and development assistance to the Palestinians, having programmed an estimated \$2.2 billion through USAID since 1993. Funding has supported programs in the areas of water and sanitation, infrastructure, education, health, economic growth, and democracy. The United States also is committed to continuing assistance for basic human needs in both the West Bank and Gaza, including emergency food, health care, and access to safe water. In Gaza, much of this is accomplished through the United Nations Relief and Works Agency and local and international nongovernmental organizations (NGOs). (USAID, 2009).

The U.S. Government committed to provide \$375 million over a 5-year period (FY 1994-FY 1998) through USAID for a program of assistance to the Palestinian people following the September 1993 signing of the "Declaration of Principles on Interim Self-Governing Arrangements" by the Palestinian Liberation Organization (PLO) and the Government of Israel. USAID's \$75 million annual budget was maintained through FY 1999 and increased in FY 2000 to \$85 million. To date, USAID assistance has coincided with an interim, transitional period of expanding Palestinian self-governance while the Israeli-Palestinian peace process continued. As a result of the progress achieved in the September 1998 Wye River Memorandum, the U.S. Government pledged \$400 million in assistance to the Palestinians over a three-year period (FY 2000-2002) in addition to their ongoing annual assistance. The USAID assistance program, which demonstrates the U.S. commitment to economic development in the West Bank and Gaza, is an essential element of the U.S. Government strategy for long-

term peace built on a foundation of regional stability, economic prosperity and adherence to democratic principles (USAID, 2001).

USAID has been a critical player in the U.S. response to a rapidly evolving situation and changing political agenda. The bywords for the West Bank and Gaza Mission have been “flexibility” and “rapid response” to immediate foreign policy opportunities. Fortuitously, early in FY 2004, the Mission began development of its new strategic plan, which identified what would be required to establish a functional Palestinian state, including the transition from an authoritarian government to a more democratic one (Arab American Institute, 2006).

Some of the key accomplishments of this program were generating close to half a million person days of critical employment through local infrastructure activities improving family incomes; renovating /constructing over 700 educational facilities benefiting over 6,000 Palestinian children; and 6,000 loans totaling approximately \$9 million made to women entrepreneurs improving family incomes (Sharp, 2007).

Simultaneously with the implementation of the Rapid Response Plan, USAID recognized that additional resources were required if the needs of an emergent democracy were to be met. Working closely with the State Department, National Security Council, and Congress, USAID spearheaded a request for a supplemental appropriation of \$200 million that would be used to address Palestinians' critical needs. Some of the most important initiatives started were improving border crossing movement of people and goods; job creation; restoring exports to support revitalization of the economy; constructing major water and wastewater facilities; and supporting democracy and security reform.

Significant USAID accomplishments have been made despite the fact that access to Gaza for USAID, contractors, non-governmental organizations (NGO) and international organizations has remained difficult and dangerous (USAID Operational Plan, 2006).

### **3.2 The Development Challenge**

The USAID West Bank and Gaza program is designed to promote long-term, sustainable development for the Palestinian population. Some of the basic constraints to development in the West Bank and Gaza include: nascent institutions of governance; limited modern infrastructure; limited natural resources (especially water); geographic separation of the West Bank and Gaza; and a rapidly expanding population. In response to these challenges, since FY 1996 USAID resources have been concentrated in three strategic areas related to private sector growth, water resources, and democracy/governance. In addition, in FY 1999 USAID added activities in two areas: maternal/child health and community services. Wye Supplemental funds will permit USAID to expand these existing programs to more underserved segments of the population and to address important components of a growing economy, including access to higher education and improved road infrastructure (USAID, 2001).

### **3.3 USAID MISSION:**

*Mission Strategic Objective #1: Expanded Economic Opportunities.* According to analyses conducted by the United Nations, real per capita gross national product (GNP) in the West Bank and Gaza fell from approximately \$2,500 in 1992 to approximately \$1,600 in 1998. Unemployment is currently 14% and poverty around 20% (both are higher in Gaza). USAID programs address constraints to private sector growth that are particularly important in this environment, specifically by increasing access to credit, by expanding export market access and local market share of Palestinian firms, and by supporting the development of a transparent and comprehensive regulatory framework conducive to investment. The notable results expected include an expansion in the number of commercial banks and micro enterprise loans, increasing sales for assisted firms, including firms in the Gaza Industrial Estate, a stronger regulatory environment to promote business and commerce, organization of several new industrial zones in the West Bank and Gaza, entry of additional graduate business education participants and progress in a major inter-urban road system (USAID, 2001).

*Mission Strategic Objective #2: Increased Access to and More Efficient Use of Scarce Water Resources.* A grossly inadequate supply of water for household consumption, agricultural production and industrial development is a major obstacle to

long-term sustainable development in the West Bank and Gaza. Per capita water consumption in many parts of the West Bank and Gaza is less than 50 liters per day. By contrast, the World Health Organization (WHO) has established a minimum per capita standard of 100 liters per day for small rural households. The difficulty of bridging the gap between potential demand and available supply of water for Palestinians in the West Bank and Gaza will be further exacerbated by anticipated high rates of population growth. USAID has recently completed several major water and wastewater infrastructure projects which double the daily consumption of water in the Hebron-Bethlehem region, significantly improve the control of wastewater and its effective reuse in Gaza. Activities planned over the next several years under this SO are aimed at developing and implementing a long-term sustainable solution to the problem.

*Mission Strategic Objective #3: **More Responsive and Accountable Governance.***

Following the initial establishment of the Palestinian Authority (PA) and the 1996 elections, USAID has assisted the Palestinians to focus on further transition towards self-rule, through the establishment of a governmental system based on democratic checks and balances, and the development of accountable and transparent governance. USAID assistance has already had a widespread influence on the evolution of a more balanced division of political power. Civil society organizations are increasing access to decision-making, the Palestinian legislature is consulting with its constituents and voters are receiving training in democratic political concepts. In addition, a new program to strengthen the rule of law by support to the judiciary was initiated in FY 1999. The USAID program aims to help develop a vibrant civil society with an active role in the decision-making process and to assist the Palestinian Authority, including the executive, legislative, and judicial branches, develop technical proficiency, institutional stability.

*Mission Strategic Objective #4: **Maternal-Child Health Care Improvements Demonstrated.***

The most serious health problems facing mothers and children in the West Bank and Gaza derive from high fertility with short birth intervals, along with weaknesses in clinical and outreach services. Rapid population growth is a major impediment to economic growth and social stability. A new pilot activity was initiated in FY 1999 which will test methodologies for delivering effective health services to woman and children, as well as to examine conditions and services in other areas of the health sector which impact on maternal-child health.

*Mission Strategic Objective #5: Community Services.* Inadequate access to basic services -- along with high unemployment and low income levels -- are factors which lead to despair and frustration at the community level, and which can undermine popular support for peace initiatives. USAID support will revitalize community-level infrastructure, improve basic services, and reach disadvantaged groups. U.S. private voluntary organizations (PVOs) will implement much of the program through grassroots-based activities designed to meet needs identified by communities themselves (USAID, 2001).

### 3.4 USAID Assistance by Sectors:

In fiscal years 2005 and 2006, the United States provided a total of \$422.9 million in bilateral assistance to the West Bank and Gaza through three separate appropriations. After Hamas won a majority in the Palestinian parliament in January 2006, USAID slowed aid pending a review of how to proceed Fiscal Years 2005 and 2006 Appropriations. As of December 31, 2006, USAID had obligated \$300.8 million and expended \$109.1 million of the total U.S. assistance provided to the West Bank and Gaza in fiscal years 2005 and 2006 ( Morro, 2007).

**Table 3-1: U.S. Commitment & Disbursement for West Bank and Gaza, From 1980 to 2009**

Sector	Total Committed	Total Disbursed
Health	\$91,018,711	\$93,234,861
Education	\$26,048,543	\$54,239,368
Water Supply & Sanitation	\$114,672,063	\$223,838,418
Government & Civil Society	\$86,455,147	\$111,758,147
Communications ,Transport & Storage	\$55,990,604	\$100,434,617
Social Services	\$16,049,523	\$20,317,109
Financial & Business Services	\$54,340,881	\$87,669,313
Agriculture	\$0	\$8,942,710
Industry	\$57,916,388	\$53,352,088
Urban/Rural Development	\$97,784,977	\$275,623,876
Budget Support	\$300,000,000	\$300,000,000
Humanitarian Aid	\$194,872,000	\$923,004,356
No Sector	\$108,833,751	\$110,549,835
Grand Total	\$1,203,982,588	\$2,362,964,698

Source: Ministry of Planning and Administrative Development, US donor profile,

<http://db.mop.gov.ps/amc/DonorSectorProfile.asp?donorid=27&datefrom=01/01/1980&dateto=31/12/2009&dyear=1980&dyeart=2009&gl=0> (6/6/2009).

### **3.5 USAID Programs:**

#### **3.5.1 ECONOMIC GROWTH OPPORTUNITIES:**

U.S. assistance promotes business and agricultural development, including increased Palestinian exports, through technical assistance and loan programs. The \$12.1 million Palestinian Enterprise Development project has supported the formation of partnerships involving close to 130 Palestinian industries to increase exports, enable investment, provide training, generate employment, and improve quality standards. Since 1993 the budget for Economic Growth activities has totaled \$298 million (USAID, 2008).

Over 500 university graduates have received job training through USAID's Apprenticeship Training program. Also, over 11,000 Palestinian agribusinesses, farmers, and fishermen have received assistance and training through the Palestinian Agribusiness Partnership Activity, which created nearly 1,400 jobs in farming and agribusiness. In the fall of 2007, USAID awarded three grants supporting peace and coexistence projects between Palestinians and Israelis. USAID is also assisting the Palestinian Monetary Authority to modernize financial institutions (USAID, 2008).

##### **3.5.1.1 Agriculture:**

Thirty percent of the West Bank and Gaza population is dependent upon agriculture and small-scale livestock production. The political instability in the West Bank and Gaza has created an economic contraction resulting in a "new poor:" unskilled or unemployed laborers, Bedouin communities, and large households with limited income. This has reduced economic opportunities and generated incomes to the private sector. The economic contraction as well as the political constraints have created hardships for the majority of the Palestinian population, obliging them to cut food purchases, seek direct food assistance, or produce food for household consumption (USAID, 2008).

During 2007, USAID targeted three levels of the value chain: farmers, olive press facilities and filling/bottling companies. USAID trained 2,917 local farmers on best practices in olive harvesting, pressing and storage; distributed 56,544 olive harvest

crates in 53 rural locations to prevent deterioration in fruit quality prior to pressing; installed 36 stainless steel tanks at 21 pressing mills to separate various oil types and maintain oil quality; and installed stainless steel storage tanks, filling/bottling and raking systems at three companies (USAID, 2008).

#### **3.5.1.2 Microfinance:**

Strengthening micro-enterprise productivity helps both micro finance institutions (MFIs) and small to medium sized enterprises remain solvent during the current economic crisis. Income generated by micro enterprises is often saved, invested and spent in the country and is an important contributor to local economic growth. However, the potential to expand micro businesses is constrained by limited access to credit from financial institutions, limited business opportunities and limited supporting professional management. Such an expansion will result in increased real incomes, job creation, as well as measurable increases in capital investments in micro enterprise (USAID, 2008).

USAID supported five MFIs that serve 15,500 micro enterprises and households with technical and financial assistance. By providing packages of guarantees, grants, loans and tailored technical support to MFIs, USAID was able to expand the outstanding credit portfolio of the five MFIs by 3,592 loans at a value of \$4.5 million. USAID also decreased the default rate for three out of the five institutions that USAID worked with: from 65% to 33% default rate in the West Bank and from 80% to 55% in Gaza. These loans were disbursed to 1) improve homes 2) enable employees to purchase goods and services, and 3) improve and expand the businesses of micro entrepreneurs. Through its technical support to the microfinance sector, USAID helped to preserve and develop a more resilient microfinance infrastructure of stronger institutions that are becoming more capable of serving micro and small enterprises and poor households (USAID, 2008).

### **3.5.1.3 Palestinian Enterprise Development:**

Small and medium-size enterprises (SMEs) are a critical source of jobs for Palestinians. Thousands of Palestinian families in the West Bank and Gaza depend on SMEs for generating jobs and modest household incomes. USAID assists struggling SMEs to revise business plans and apply for credit so that they can engage productive private assets in their respective communities (USAID, 2008).

During 2007, USAID sustained 1,615 existing jobs and created 450 new jobs and facilitated \$10.5 million in external financing for private sector firms through assisting businesses with detailed business plans which then allowed them to communicate with the potential investors, identify the financial resources needed and to start all lines of business. The business plans also provided businesses with implementation tools such as marketing and financial plans. USAID also trained and placed 513 interns of which 224 have been hired in permanent jobs; and assisted 5 firms to acquire quality standard certifications. USAID facilitated the development of a shared vision of competitiveness through association-building that, through political advocacy, stimulated an enabling business environment. Improved productivity at the firm level helped sustain the private sector work force through the creation of new jobs. In addition, USAID employment generation program contributed to the productivity of firms that employed the trained graduates (USAID, 2008).

### **3.5.1.4 Trade:**

USAID aims to increase the flow of trade from Gaza and the West Bank by promoting a more orderly flow of merchandise at border crossings through cargo consolidation at sites remote from the border and improved security inspection by Palestinians.

Through advisory services, technical assistance, and equipment and technology USAID has facilitated the movement of Palestinian commercial, agricultural, and industrial goods destined for domestic and export markets (USAID, 2008).

### 3.5.2 WATER RESOURCES & INFRASTRUCTURE:

Road, water, and school construction projects all contribute to improvements in the infrastructure of the West Bank and Gaza (USAID, 2008).

#### 3.5.2.1 Infrastructure:

USAID's water and infrastructure program provides humanitarian assistance to increase essential access to potable water for needy Palestinian families, and to improve transportation arteries within the West Bank and Gaza (USAID, 2008).

**Table 3- 2: U.S. Funded Infrastructure Projects for West Bank and Gaza, from 2005-2008**

Title	Project Budget	Committed	Disbursed
Energy Financial Service - Housing Improvement Loans Programs	\$2,996,906	\$2,996,906	\$2,996,905
Home Improvement Program Expansion	\$2,853,095	\$2,853,095	\$2,853,095
Roads Repair Program - phase 1	\$13,963,584	\$13,963,584	\$13,963,584
Roads Repair Program - phase 2	\$8,563,442	\$8,563,442	\$8,563,442
Roads Repair Program - phase 3 (41m)	\$17,885,519	\$17,885,519	\$17,885,519
Cash_T3 For Ministry of Finance	\$4,694,204	\$4,694,204	\$4,694,204
PARCS	\$1,218,013	\$1,218,013	\$1,218,013
PITA	\$1,000,000	\$1,000,000	\$1,000,000
SMART	\$4,008,213	\$4,008,213	\$4,008,213
<b>Grand Total</b>	<b>\$57,182,976</b>	<b>\$57,182,976</b>	<b>\$57,182,975</b>

Source: Ministry of Planning and Administrative Development, Palestinian Assistance Monitoring System, Palestinian Reform and Development Program Reports, <http://db.mop.gov.ps/amc/DonorSectorProfile.asp?donorid=27&datefrom=01/01/1980&dateto=31/12/2009&dyear=1980&dyeart=2009&gl=0> (5/9/2008).

#### 3.5.2.2 Job Creation:

USAID aims at generating employment for poor Palestinians, rehabilitating community-managed infrastructure that will assist communities to meet basic needs and restore services. Rehabilitation activities will include the construction and renovation of private educational and health facilities; rehabilitation and development of community centers; construction of roads, sidewalks and public parks; construction of small-scale agricultural infrastructure (agricultural roads and fencing), as well as environmental clean up and management campaigns.

USAID provides skilled and unskilled emergency employment opportunities by designing and directing responsive small-scale labor-intensive infrastructure projects across a wide range of sectors to help alleviate humanitarian and short-term unemployment problems. This program plays a critical role in responding to unforeseen economic and infrastructure needs in most West Bank and Gaza geographical areas and will provide temporary jobs for over 2,000 Palestinians. About 4,000 Palestinians have received salaries from USAID-funded infrastructure programs (USAID, 2008).

### **3.5.2.3 Emergency Water & Sanitation:**

Shortage of water supply has historically been one of the key issues leading to Palestinians' livelihood insecurity and contributing to the existing Middle East conflict. Limited water supplies continue to exacerbate the problems facing an estimated 50% of Palestinians who have less than half the WHO's recommended 60 liters of water/capita/day. Current violence also damages existing water and sanitation systems. The U.S. Agency for International Development has been the lead donor in West Bank Gaza's Water and Sanitation sector since the Oslo (1993-5) conferences.

USAID continues to deliver small-scale water and sanitation improvements to towns and municipalities in the West Bank and Gaza. To date, 114 completed activities, valued at \$8,313,534 million, have benefited more than 1,876,631 people and created temporary jobs for approximately 1,000 Palestinians. Over 19,500 households have received better access to a cleaner and regular water supply in their houses, and about 30,000 households received improved sanitation services and new connections to proper sewage networks (USAID, 2008).

### **3.5.3 HEALTH & HUMANITARIAN ASSISTANCE:**

Through USAID's Mother and Child Health Care project, USAID works to improve the health of 60 percent of the most vulnerable Palestinian women of reproductive age and children under 5 (USAID, 2008).

To respond to emergencies and reduce poverty, the United States provides emergency food, health care, and access to safe water and sanitation. The United States also contributes to the World Food Program and to the United Nations Relief and Works Agency's West Bank and Gaza Emergency Appeal.

Since May 2006, USAID has provided over \$7.2 million in emergency medical assistance to approximately 60 Palestinian NGO clinics and 12 NGO hospitals, as well as to Ministry of Health hospitals and facilities. Since September 2006, \$35.3 million in cash assistance to the World Food Program has helped approximately 304,000 Palestinians meet basic nutritional requirements. USAID's Emergency Water and Sanitation program has improved water accessibility for over 1.8 million Palestinians in the West Bank and Gaza (USAID, 2008).

**Table 3- 3: U.S. Funded Humanitarian Aid Projects for West Bank and Gaza, from 2005-2008**

Title	Project Budget	Committed	Disbursed
Humanitarian Assistance	\$46,731,935	\$46,731,935	\$54,856,935
Cash_T 2-Cash transfer to PA Ministry of Finance	\$39,924,037	\$39,924,037	\$39,924,037
EWAS	\$7,874,777	\$7,874,777	\$7,874,777
LRD - Tawasol	\$1,503,915	\$1,503,915	\$1,503,915
RAFEED 2	\$4,019,603	\$4,019,603	\$4,019,603
WFP-PRRO	\$3,000,011	\$3,000,011	\$3,000,011
<b>Grand Total</b>	<b>\$103,054,278</b>	<b>\$103,054,278</b>	<b>\$111,179,278</b>

*Source: Ministry of Planning and Administrative Development, Palestinian Assistance Monitoring System, Palestinian Reform and Development Program Reports, <http://db.mop.gov.ps/amc/DonorSectorProfile.asp?donorid=27&datefrom=01/01/1980&dateto=31/12/2009&dyear=1980&dyeart=2009&gl=0> (5/9/2008).*

### **3.5.4 YOUTH & EDUCATION ACTIVITIES:**

As part of the \$8.8 million Palestinian Faculty Development program, which aims to improve higher education, 32 scholars started doctoral studies at U.S. universities and seven scholars have pursued short-term training at U.S. universities. The United States also has provided 69 Master's degree scholarships for study in the United States. Since 1993 the total budget provided to the Youth and Education activities was for \$64 Million (USAID, 2008).

#### **3.5.4.1 Youth Empowerment:**

USAID aims to empower young Palestinians by providing them with real opportunities to develop and apply leadership skills through providing leadership skills training for youth and support youth led community initiatives.

USAID created a Youth Corps composed of 800 young male and female leaders and volunteers mobilized to engage in community-based activities including the delivery of humanitarian assistance (i.e. food, medicine, and water) and household self-reliance and civic educational activities.

During 2007, more than 7,000 marginalized community members in the West Bank and Gaza received humanitarian aid (food baskets, medicine and medical checkups, etc.), gained access to clean water, and participated in environmental/cleanup campaigns and cultural activities proposed and implemented by youth groups (USAID, 2008).

#### **3.5.4.2 Basic Education:**

Developing the basic education sector remains essential for advancing Palestinian national development and is a fundamental requirement to meeting the growing demands for schooling, educating moderate, responsible citizens, and realizing reasonable employment opportunities.

USAID seeks to improve the quality of basic education in the West Bank by developing innovative educational concepts and pedagogical approaches throughout a network of twenty private schools. USAID aims to develop a school model of best practices for measurably improving learning outcomes in primary schools, which can be replicated throughout the Palestinian education system (USAID, 2008).

#### **3.5.4.3 Workforce Development:**

Developing the Palestinian workforce is one of the most important priorities to realizing Palestinian national development, creating a more peaceful, and hopeful Palestinian society. Providing employment opportunities for vocationally trained youth will foster younger Palestinians' civic contributions for advancing Palestinian national development.

USAID lays the foundation for a broader youth development program that provide critically-needed educational and employment opportunities to those individuals most vulnerable to political extremism. USAID will strengthen youth job skills and make technical and vocational careers viable livelihood options for Palestinian youth. USAID will introduce reforms to the non-governmental technical and vocational education system to improve the quality of education and make it more relevant and effective in meeting the labor market's needs; and develop strong, practical relationships between USAID and the private sector to create new technical and vocational training opportunities by identifying key businesses which support apprenticeship programs and by developing training partnerships with the most relevant industries (USAID, 2008).

**Table 3- 4: U.S. Funded Education Projects for West Bank and Gaza, from 2005-2008**

Title	Project Budget	Committed	Disbursed
HESI-FTP	\$3,144,056	\$3,144,056	\$3,144,056
University linkages	\$774,990	\$774,990	\$774,990
Masters Degree Scholarship Program	\$6,768,129	\$6,768,129	\$6,768,129
Palestinian Information's and Communication Tech. Incubator	\$25,295	\$25,295	\$25,295
Palestinian Infrastructure for Needed Employment	\$9,051,898	\$9,051,898	\$9,051,898
Fast Track Program (41m) (Pine expansion)	\$654,321	\$654,321	\$654,321
Presidential Scholarship Program	\$6,384,708	\$6,384,708	\$6,384,708
Short term training	\$1,947,580	\$1,947,580	\$1,947,580
American Scholarship Fund Program ASFP 2006 - 2007	\$3,106,127	\$3,106,127	\$3,106,127
PFDP	\$2,755,234	\$2,755,234	\$2,755,234
<b>Grand Total</b>	<b>\$34,612,338</b>	<b>\$34,612,338</b>	<b>\$34,612,338</b>

*Source: Ministry of Planning and Administrative Development, Palestinian Assistance Monitoring System, Palestinian Reform and Development Program Reports, <http://db.mop.gov.ps/amc/DonorSectorProfile.asp?donorid=27&datefrom=01/01/1980&dateto=31/12/2009&dyear=1980&dyeart=2009&gl=0> (5/9/2008).*

### **3.5.5 PEACE AND SECURITY:**

With its border improvement projects, the United States is helping ease the movement of Palestinian people and goods, while improving Israel's security. In the fall of 2007, USAID awarded three grants supporting peace and coexistence projects between Palestinians and Israelis. USAID is also assisting the Palestinian Monetary Authority in tracking financial transactions to prevent financial crimes and money laundering (USAID, 2008).

### **3.5.6 DEMOCRACY & GOVERNANCE:**

One U.S. goal is to promote moderation in the political arena. USAID provides training for independent media and assistance to civil society organizations (USAID, 2008).

#### **3.5.6.1 Civil Society:**

USAID assistance is directed at community levels to increase citizen participation through mobilization of key populations including youth, women, and other groups, and assist emerging leaders to establish grassroots credibility. USAID seeks to expand opportunities for Palestinian citizens to communicate their expectations of democratic governance, strengthen civil society organizations and independent institutions, and provide capacity development and training to Palestinian NGOs.

Since its inception, the civic engagement program has funded 154 grants valued at \$8.5 million to local civil society organizations and emerging leaders in West Bank and Gaza. The program continues its support to civil society organizations, emerging leaders, and selected government institutions in order to strengthen their capacity to deliver basic services to citizens and constituencies.

#### **3.5.6.2 Local Government:**

USAID's local government program supports more effective local governance and improved responsiveness to citizens' needs by building the institutional capacity to operate in a more accountable, transparent, participatory, and democratic manner;

fostering communication with community stakeholders; and improving the efficacy of the service delivery systems to citizens.

USAID is assisting approximately 44 local government units in the West Bank and Gaza to increase the ability of local officials to provide basic services to their constituents. USAID encourages the participation of Palestinians in political processes and promotes active cooperation between elected officials and their constituents. USAID also works with local government officials, their constituents, and civil society leaders to improve decentralized local governance in Palestinian communities. Approximately 41 communities have already developed action plans based on a full needs assessment of management and service delivery systems. Up to 200 local government officials and their staff are being trained in areas including financial systems, budgeting, physical and strategic planning, maintenance and operations, project design, procurement, community outreach, and administration. Local service delivery will be improved through completion of approximately 45 community projects benefiting around 500,000 citizens. Up to 40 local action committees representing civil society and community-based organizations are being formed in partner communities and trained in local government oversight and support.

### **3.5.6.3 Media:**

USAID's independent media program focuses on the development of broadcast media in support of two main objectives: 1) increased media coverage of local news, and 2) improved citizen awareness of and involvement in community-level issues.

The media program has provided extensive training to Palestinian television and radio stations on business plan development and sales and marketing, benefiting a total of 28 television and 20 radio stations. Since then, each station has introduced internal financial procedures and completed business plans. The program has also provided on-the-job training to 16 radio and eight television stations in topics including writing, reporting, creating mini-features, storyboard creation, research, interviewing, and camera work. A total of 53 journalists benefited from the training. As a result, more stations are beginning to air local stories, such as reports on inefficiencies in the public transportation systems or the impact of the economic situation on the souvenir market in Bethlehem. The program has also awarded 11 production grants valued at \$300,000 to support a total of 21 new productions.

#### **3.5.6.4 Rule of Law:**

USAID promotes the rule of law in the West Bank and Gaza through technical and advisory support to the Supreme Judicial Council, Ministry of Justice, Attorney General, and related bodies. USAID also seeks to strengthen the enforcement of laws and court decisions and to build the capacity of legal professionals and related non-governmental institutions as a foundation for reform and respect for human rights. In addition, USAID is helping to upgrade the capacity of Palestinian courts and improve service delivery.

#### **3.5.6.5 Conflict Management and Mitigation:**

USAID's reconciliation programs, funded through the Office of Conflict Management and Mitigation within USAID's Bureau for Democracy, Conflict and Humanitarian Assistance, are part of a worldwide effort to bring together individuals of different ethnic, religious, or political backgrounds from areas of conflict in order to address the root causes of tension and instability.

USAID West Bank/Gaza reconciliation programs aim to bring together people and communities representing all aspects of society to address the underlying issues beneath the Israeli-Palestinian conflict.

USAID programs in the area of conflict management and mitigation include training for lawyers, mental health professionals, and urban planners; public education, dialogue, and networking opportunities among Israelis and Palestinians; joint Israeli-Palestinian environmental activities; and the production of an Israel-Palestinian drama series.

**Table 3- 5: U.S. Funded Human Rights / Civil Society/ Democracy Projects for West Bank and Gaza, from 2005-2008**

<b>Title</b>	<b>Project Budget</b>	<b>Committed</b>	<b>Disbursed</b>
Rule of Law Project II	\$508,846	\$508,846	\$508,846
Civil Society Empowerment	\$7,546,541	\$7,546,541	\$7,546,541
Palestinian Legal System	\$356,029	\$356,029	\$356,029
Strengthening Civil Society Organizations - TAMKEEN	\$11,035,825	\$11,035,825	\$11,035,825
Strengthening the Palestinian Council Phase II	\$6,597,002	\$6,597,002	\$6,597,002
Justice and Enforcement	\$8,000,000	\$8,000,000	\$79,141
Child Rehabilitation for Safety & Hope	\$448,884	\$448,884	\$428,078
Aswatona Media Project	\$106,839	\$106,839	\$106,839
BAYAN	\$321,292	\$321,292	\$321,292
CEPPS	\$1,250,921	\$1,250,921	\$1,250,921
GCH-Design of Gaza courthouse	\$297,066	\$297,066	\$297,066
NCVR	\$1,028,950	\$1,028,950	\$1,028,950
<b>Grand Total</b>	<b>\$37,498,195</b>	<b>\$37,498,195</b>	<b>\$29,556,530</b>

*Source: Ministry of Planning and Administrative Development, Palestinian Assistance Monitoring System, Palestinian Reform and Development Program Reports, <http://db.mop.gov.ps/amc/DonorSectorProfile.asp?donorid=27&datefrom=01/01/1980&dateto=31/12/2009&dyear=1980&dyeart=2009&gl=0> (5/9/2008).*

### **3.6 The Role of USAID in Supporting Palestinians Basic Human Needs:**

Despite an increase in donor assistance in 2006 over 2005, economic decline and insecurity have resulted in significant health and humanitarian concerns, particularly in Gaza. Factional violence, kidnapping and terrorism increasingly threaten lives and impede the distribution of humanitarian assistance. The Palestinian Ministry of Health faces shortages of drugs and medical supplies, most significantly for cancer and dialysis treatment. Up to 20% of essential drugs may be out of stock. The UN reports that nearly 50% of the population is now food insecure, up from 36% in 2005. Many families lack the financial resources and resiliency to provide basic necessities such as food, water, health care, and medicines. It is estimated that 37% of Palestinians

do not have enough food to meet daily nutritional needs, and one in four children under five is anemic.

USAID, as well as other USG-funded organizations such as UNRWA, responded immediately through their emergency and quick response mechanisms. USAID provided survival kits to every affected family and organized local residents into a volunteer clean-up program (Sharp, 2007).

In this challenging environment, the US government gives priority to the daily health care and nutrition needs of the most vulnerable Palestinians - mothers and children under age five - through the private health care system. USAID's grantees will train 180 health care providers in advanced, obstetrical life support and neonatal resuscitation. 450 emergency medical kits will be distributed to local providers who have received medical services training. Direct assistance is provided to the Holy Family Hospital in Bethlehem for maternal and child health care. USAID also has implemented small-scale emergency repair of water, sanitation, and solid waste services, and provided nearly 350,000 people with water, sanitation, education, hygiene, and health assistance (Sharp, 2007).

The United States is the single largest contributor to the World Food Program (WFP) providing \$35.41 million of food assistance in 2006, thus enabling WFP and associated NGOs to distribute 47,000 metric tons of essential food commodities to 300,000 Palestinians, not registered as refugees with UNRWA, over a ten-month period. We also provided supplies for NGO medical facilities, including life-saving dialysis pharmaceuticals, and other life-saving medical equipment for eight non-governmental hospitals, including fetal monitors, an incubator, and nebulizers. To overcome the constraint of not working with the Palestinian Authority government, USAID has identified new nongovernmental partners to deliver assistance quickly (Ward, 2007).

USAID continue to provide for the immediate, daily needs of Palestinians, especially through its health and humanitarian assistance program. USAID Emergency Medical Assistance Program provides support to non-governmental (NGO) clinics and hospitals and expanded public health support to MOH facilities in the West Bank and Gaza by delivering pharmaceuticals, medical supplies, medical equipment, and spare parts to eligible hospitals and clinics. USAID also improve the quality of maternal and child

health and nutrition through training and technical assistance for hospitals and clinics; and providing medical equipment, community mobilization and specialty workshops in advanced life support and health communications.

The World Food Program implements food-for-work and food-for-training activities. USAID grant to The World Food Program to implement food-for-work and food-for-training activities aims at helping to meet the needs of an estimated 250,000 beneficiaries. The program uses Food for Peace commodities at a total of approximately \$19.5 million plus a cash grant from the Mission of \$7.9 million. USAID also provide grants to the poorest Palestinians in the form of food baskets, water, and children's summer camps (Ward, 2007).

Additionally, U.S. provides Contribution to The United Nations Relief and Works Agency (UNRWA) providing food, shelter, medical care, and education for many of the three million Palestinian refugees from the 1948-1949 Arab-Israeli war. U.S. contributions to UNRWA come from the general Migration and Refugee Assistance (MRA) account and also through the Emergency Refugee and Migration Assistance (ERMA) account. The U.S. contribution to UNRWA usually covers 22 to 25% of the UNRWA total budget. The United States is the largest bilateral donor to the UNRWA and second only to the European Community as a contributor. U.S. support for UNRWA is not treated as bilateral economic aid to the Palestinians, which is managed by USAID (Sharp, 2007).

According to the U.S. State Department, U.S. contributions help fund 647 schools, 273 of which are in Gaza and the West Bank and 125 primary health care facilities, including 54 health clinics and one hospital in Gaza and the West Bank. With Hamas now in control of the entire Gaza Strip, it is unclear whether the United States will continue to support UNRWA operations in the Gaza Strip (USAID, 2008).

### **3.7 The Role of USAID funding in Developing the Palestinian Private Sector:**

USAID supports small business and agricultural development to help strengthen the Palestinian economy through loan programs and technical assistance. In the beginning of 2007, the Palestinian Enterprise Development project formed a partnership with Palestinian industries to increase exports, enable investment, offer training, generate employment, and improve quality standards. These industries include food, wood and furniture, stone and marble, pharmaceuticals, IT, and construction. Since 2006, 10,000 Palestinian agribusinesses, farmers, and fishermen have received assistance and training through the Palestinian Agribusiness Partnership Activity (PAPA). A drip irrigation project has enabled 250 households in the Jordan Valley to become self-reliant by producing vegetables for home consumption and supplemental family income (Ward, 2007).

### **3.8 The Role of USAID Funding in Building the Palestinian Institution:**

The US being the wealthiest, strongest and most influential nation, it is worth seeing how their actions or inaction affects other nations. One notable area is US foreign aid. Being a major part of the International Monetary Fund, World Bank and even helping to formulate the United Nations over 50 years ago, their actions can be felt around the world (Shah, 2005).

USAID assists civil society organizations (CSOs) to promote public discourse in decision-making processes, work for representation of diverse social interests, and ensure proper oversight of public institutions. USAID also stimulate and improve local CSO work in the areas of advocacy, policy analysis, training capacity building, communication, leadership skills, strategic planning, financial management, conflict resolution, and holding the PA accountable for execution of laws and regulations.

USAID Work with Palestinian civil society has continued to achieve demonstrable results by engaging non-governmental organizations in the democratic process and supporting their efforts to represent and integrate marginalized groups such as women, children, and the disabled.

The major priorities that USAID addresses include: 1) strengthening the rule of law and the judiciary; 2) supporting the Palestinian Legislative Council and Executive Branch policy units, as needed; 3) improving the quality of governance and the service delivery capabilities at the local level; and 4) continued support for civil society programs, including media (USAID data Sheet, 2007).

### 3.9 West Bank & Gaza Program Budget (1993-2008)

Following the signing of the Oslo Accords in September 1993, the U.S. government provided approximately \$2.2 billion through USAID to implement a development program in the West Bank and Gaza. To date, the U.S. government is the leading provider of bilateral economic and development aid to the Palestinians.

USAID has funded programs that support the 3.8 million Palestinians in the West Bank and Gaza by creating jobs, strengthening the role of the private sector, providing technical assistance to PA ministries in various areas, and meeting basic human needs (USAID, 2009)

**Table 3-6: USAID Budget Breakdown by Sector**

<b>SECTOR</b>	<b>Obligations 1993-2008</b>
Economic Growth	\$298,371,486
Democracy and Governance	\$269,627,403
Health and Humanitarian Assistance	\$186,698,311
Youth and Education	\$72,633,324
Water Sanitation and Infrastructure	\$846,537,632
Cash Transfer, Budget Support to PA	\$390,000,000
Other (UNRWA, Program Support)	\$214,839,414
<b>Total for USAID West Bank and Gaza</b>	<b>\$2,278,707,570</b>

Source: USAID West Bank/ Gaza, (2009). <http://www.usaid.gov/wbg/aboutUs.html> . (06/07/2009).

Since the signing of the Oslo Accord in 1993, the U.S. government has committed more than \$2.2 billion in bilateral economic assistance to the Palestinians. Approximately 80% of U.S. funding for the Palestinians has been channeled through

USAID contractors and 20% through private voluntary organizations (PVOs). According to annual foreign operations legislation, congressionally approved funds for the West Bank and Gaza Strip cannot be used for the Palestinian Authority (PA), unless the President submits a waiver to Congress citing that it is in the interest of national security. U.S. assistance to the Palestinians has been averaging about \$180 million a year since FY2002. During the 1990s, U.S. foreign aid to the Palestinians averaged approximately \$75 million per year (Sharp, 2007).

### **3.10 Restrictions on Aid to the Palestinians**

Annual Foreign Operations Appropriations measures include several limitations on funding for Palestinian organizations and institutions including the following provisions (Morro, 2006):

- **Limitation on Assistance to the Palestinian Authority.** Bans direct U.S. assistance to the Palestinian Authority (PA) unless the President submits a waiver to Congress citing that such assistance is in the interest of national security. The waiver can be for up to one year, and must be accompanied by a report to the appropriate congressional committees on PA actions to stop terrorism.
- **The Palestinian Anti-Terrorism Act of 2006.** In 2006, Congress passed new legislation governing U.S. assistance to the Palestinians, the Palestinian Anti-Terrorism Act of 2006. On December 21, 2006, which bars aid to the Hamas-led Palestinian government unless, among other things, it acknowledges Israel's right to exist and adheres to all previous international agreements and understandings. It exempts funds for humanitarian aid and democracy promotion. It also authorizes \$20 million in FY2007 funding to establish a fund promoting Palestinian democracy and Israeli-Palestinian peace. The law limits the PA's representation in the United States as well as U.S. contact with Palestinian officials.
- **USAID's Anti-Terrorism Procedures.** USAID has taken several precautions to ensure that funds for Palestinian NGOs in the West Bank and Gaza Strip are not used to support terrorism. According to a USAID fact sheet on aid to the Palestinians, all NGOs that receive U.S. funding are required to sign an anti-terrorism certification USAID personnel also are required to vet all grantees in

order to ensure that U.S. assistance does not benefit those who have committed terrorist acts. NGOs also must submit quarterly financial reports to USAID on how U.S. economic assistance funds are spent.

### **3.11 The Contribution of USAID Funding to Emancipation of Palestinian Society**

A number of internal and external factors influence the basic characteristics of economic and social conditions in the Palestinian territories. These influences helped shape the Palestinian economic profile during the previous stage, since the Palestinian economy depended on its Israeli counterpart and there were multiple forms and channels of inter-linkage between them in the areas of labor, trade relations, and tax revenues.

In terms of labor, the Israeli economy absorbed surplus Palestinian labor; statistics indicate that more than 145,000 Palestinian workers were employed in Israel just before the present Intifada began. In terms of Palestinian-Israeli trade relations, trade with Israel comprised 77 percent of Palestinian foreign trade. And in terms of tax revenue, the PNA depends on customs returns and duties on trade with Israel in funding its treasury, as together these duties comprise approximately 60 percent of total public revenue in the Palestinian budget (PCBS, 2004). The danger of this inter-linkage between the two economies lies in the Israeli side's systematic continuation of its current policy, which is based on thwarting any Palestinian attempt at emancipation and liberation from Israeli domination and on countering Palestinian attempts to revive their economy and govern their natural resources.

The second indicator is external assistance, which covers more than 80 percent of funds needed for the overall investment program in the Palestinian territories, in addition to its role in funding the PNA current budget.

However, there are a number of questions surrounding the continuity of this assistance during the forthcoming period, which in turn significantly increases the level of risk and vulnerability to external factors. These questions surround a number of factors related to this assistance, such as the link between assistance and developments in the political process, inconsistency in the level of compatibility with Palestinian priorities,

and changes taking place during the past eight years, as more than 83 percent of this assistance was directed toward humanitarian relief programs, funding the PNA treasury, and repairing damages resulting from Israeli incursions. More than 87 percent of assistance passes through PNA institutions and approximately 8 percent passes through NGOs (MOP, 2008).

The period during which the USAID funding process began coincided with Israeli policies of closure and siege. These policies inflicted immense damages on the Palestinians and also affected the funding process, since they limited the freedom of movement of employees and representatives of local and international institutions overseeing and implementing the funded programs.

Moreover, they obstructed the arrival of the raw materials and equipment necessary to implement these programs and projects, and the Israeli authorities deliberately placed obstacles and difficulties before implementation of funded projects in the Palestinian population centers located in Area B. Israeli influence continued to be the main determinant of Palestinian economic and social conditions (Sharp, 2007).

Since the launching of the peace process and the signing of the Oslo Accords, the Israeli government has continued its policies, measures, and practices in a systematic, uninterrupted fashion, which frustrated Palestinian and international efforts aimed at reviving the Palestinian economy. Nor did the matter stop there; Israel succeeded in transforming the West Bank and Gaza Strip into a consumer market for Israeli goods and services, however corrupted, and a source of cheap labor. These policies have created structural distortions in the local economy, where service-based and marginal activities have expanded at the expense of development-oriented and productive activities. This has weakened the Palestinian economy's productive capacity and hindered its natural growth. Despite obstacles posed by the Israeli authorities, USAID assistance has been successful in several fields and has made significant achievements in some areas (The Arab Orient Center, 2004).

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter defines the methodology used in this thesis. The researcher uses analytical descriptive method, which tries to describe and assess the effect of the USAID funding on developing the Palestinian Community and propose more effective practices that will reflect on the empowerment and human development of the Palestinian Community.

The descriptive analysis method compares, explains, and evaluates in order to generalize meaningful results to enrich knowledge in this regard. This methodology scans past studies to make full use of them when applied to diagnose strengths and weakness and looks forward to the threats and opportunities of the future, and predicts the outcomes of the study in the coming stage.

#### **4.2 Data Collection:**

The researcher uses four sources for collecting data from two different sources:

##### **4.2.1 Secondary Data:**

- Published data search, including papers, documents and other literature related issues, e.g.:
  - Researches and studies conducted by organizations which are of some important for the Community development.
  - The International organizations findings provided to Palestinians for the purpose of Community development.
  - Studies and reports published by donor organizations, UNSCO, UNDP, USAID organizations.

##### **4.2.2 Primary Data:**

The questionnaire survey was chosen as the main tool for primary data collection. The questionnaires were distributed to managers of Palestinian NGOs who have received the USAID funding in developing the Palestinian Community.

### **4.3 Research population:**

The Study population consists of Palestinian Non-Governmental Organizations working in the Gaza Strip, those who have received USAID funding to finance their community development programs in the Palestinian Community. The researcher referred to the Directory of Non-governmental Organizations in the Gaza Strip published by the Office of the United Nations Special Coordinator (UNSCO) for year 2007 when choosing the research population due to the valuable information provided on non-governmental organizations working in Gaza Strip (organization's name, contact person, Program activities, Donors....etc.) (UNSCO, 2007).

There are **262** Palestinian and international NGOs active in the Gaza Strip , political and humanitarian organizations, NGOs promoting human rights or economic and social development, solidarity-, charitable- or action-oriented groups, churches, trade unions and professional associations, organizations with special focus on women, children, refugees organizations. This data differ from the data collected from the Ministry of Interior, knowing that the data available at the Ministry of Interior have all the registered organizations whether they were active or not.

Therefore, the research refers to the Directory of Non-governmental Organizations in Gaza Strip issued in 2007 as the main source for determining the research population and therefore the research sample.

And since this research focuses on measuring the effect of the USAID funding in developing the Palestinian Community from the Palestinian NGO perspective, this will eliminate the 39 international NGOs out of the 262 NGOs to have 223 Palestinian local NGOs of whom only 64 Palestinian NGOs received USAID funding to run their programs.

### **4.4 Research Sample:**

The researcher chose the sample study using Stratified sampling that includes 64 active Palestinian NGOs working in Gaza Strip who received USAID funding from 2000-2008 to empower and strengthen the Palestinian Community and according to the specific sectors of development.

100 questionnaires distributed to Program managers / financial managers of Palestinian NGOs who are considered the focal points for implementing the developmental projects in different sectors in the Palestinian community. Three questionnaires were distributed among each NGO targeting the three level of managers (program, project and financial) but many NGOs fill only one questionnaire. This resulted in receiving less number of questionnaires than planned, so the returned questionnaires were 77 questionnaires, which is considered 77% of the distributed questionnaire but in overall covers the completely 64 Palestinian NGOs.

#### 4.5 Data Measurement

In order to be able to select the appropriate method of analysis, the level of measurement must be understood. For each type of measurement, there is/are an appropriate method/s that can be applied and not others. In this research, ordinal scales were used. Ordinal scale is a ranking or a rating data that normally uses integers in ascending or descending order. The numbers assigned to the important (1,2,3,4,5) do not indicate that the interval between scales are equal, nor do they indicate absolute quantities. They are merely numerical labels. Based on Likert scale we have the following:

Item	<b>Largely To a great extent</b>	<b>Largely</b>	<b>Neutral</b>	<b>Slightly</b>	<b>Very Slightly</b>
Scale	5	4	3	2	1

#### 4.6 Statistical analysis Tools

The researcher would use data analysis both qualitative and quantitative data analysis methods. The Data analysis will be made utilizing (SPSS 15). The researcher would utilize the following statistical tools:

- 1) Cronbach's Alpha for Reliability Statistics
- 2) Spearman Rank correlation for Validity
- 3) Frequency and Descriptive analysis
- 4) Nonparametric Tests (Sign test, Mann-Whitney test, Kruskal-Wallis test)

## 4.7 Validity of Questionnaire

Validity refers to the degree to which an instrument measures what it is supposed to be measuring. Validity has a number of different aspects and assessment approaches. Statistical validity is used to evaluate instrument validity, which include criterion-related validity and construct validity.

### 4.7.1 Statistical Validity of the Questionnaire

Validity refers to the degree to which an instrument measures what it is supposed to be measuring (Pilot and Hungler,1985). Validity has a number of different aspects and assessment approaches.

To insure the validity of the questionnaire, two statistical tests should be applied. The first test is Criterion-related validity test (Spearman test) which measure the correlation coefficient between each paragraph in one axis and the whole axis. The second test is structure validity test (Spearman test) that used to test the validity of the questionnaire structure by testing the validity of each axis and the validity of the whole questionnaire. It measures the correlation coefficient between one filed and all the fields of the questionnaire that have the same level of similar scale.

### 4.7.2 Criterion Related Validity

Internal consistency of the questionnaire is measured by a scouting sample, which consisted of 30 questionnaires through measuring the correlation coefficients between each paragraph in one axis and the whole filed.

#### 4.7.2.1 Criterion Related Validity

Table (4.1) clarifies the correlation coefficient for each paragraph of **the role of USAID funding in the NGO administrative development in the Palestinian society** and the total of the axis. The p-values (Sig.) are less than 0.05, so the correlation coefficient for each paragraph of this axis is significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this axis are consistent and valid to be measure what it was set for.

**Table 4.1 Correlation coefficient of each paragraph of Axis #1 and the total of this Axis**

<b>No.</b>	<b>Item</b>	<b>Spearman Correlation Coefficient</b>	<b>P-Value (Sig.)</b>
1.	Access to the USAID funding increases the rationalization of financial resource and financial skills of NGO workers which helps in increasing their financial discretion.	.606	0.000*
2.	Access to the USAID funding allows having clear financial and administrative systems for the NGO.	.588	0.000*
3.	The NGO accepts the USAID financial and technical oversight of funds and activities	.327	0.002*
4.	Access to funding allows the NGO to develop plans of long-term development strategy	.317	0.044*
5.	Access to funding enables the NGO to choose the most efficient forms of organization	.456	0.006*
6.	Funding empowers the NGO employees to be more capable of production through education and training, organization and implementation of projects	.691	0.000*
7.	Funding increases the ability of NGO employees to prepare the Palestinian civil society to play a positive role in decision-making and identify priority projects	.720	0.000*
8.	USAID funding aims at developing the capacity of NGO's employees to manage the funded grants which contributes to the implementation of sustainable projects.	.685	0.000*
9.	USAID adopts the policy of participation among decision makers in the NGO to identify their needs in the provided funding	.756	0.000*
10.	USAID funding increase the ability of NGO to implement programs and activities based on pre-designed plans	.591	0.000*

11.	USAID funding enables the NGO to prepare projects activities in accordance with the developmental requirements of civil society	.757	0.000*
12.	USAID funding enables the NGO to prepare projects activities in accordance with the Emergency requirements of civil society	.675	0.000*
13.	USAID funding provided to NGO depends on the strength of coordination between the NGO and other non-governmental institutions working in the same area.	.601	0.000*
14.	USAID in partnership with the NGO identify the developmental priorities of the local Palestinian community in the preparation of projects	.681	0.000*

\* Correlation is significant at the 0.05 level

Table (4.2) clarifies the correlation coefficient for each paragraph of **the role of USAID funding in the NGO economical development in the Palestinian society** and the total of the axis. The p-values (Sig.) are less than 0.05, so the correlation coefficient for each paragraph of this axis is significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this axis are consistent and valid to be measure what it was set for.

**Table 4.2 Correlation coefficient of each paragraph of Axis #2 and the total of this Axis**

No.	Item	Spearman Correlation Coefficient	P-Value (Sig.)
1.	The amount of USAID funding provided to the NGO aims at implementing developmental projects at large scale	.373	0.021*
2.	The amount of USAID funding provided to the NGO aims at implementing relief projects at large scale	.622	0.000*
3.	The amount of the USAID funding provided to the NGO is considered to be enough to cover all NGO projects.	.395	0.015*
4.	USAID funding concentrates on emergency crises instead of long-term funding	.425	0.010*

5.	Rationale Distribution for USAID funding is conducted equally for all NGO sectors (Social, productive.....etc).	.530	0.001*
6.	The amount of the USAID funding provided to the NGO to implement its projects covers a large fraction of the humanitarian suffering of the Palestinian society.	.608	0.000*
7.	The projects funded by the USAID contribute to the reduction of unemployment by recruiting labors significantly.	.572	0.000*
8.	USAID funded projects that are implemented by the NGO have sustainable development impact on the Palestinian economy.	.701	0.000*
9.	USAID funding contributes to support development projects to achieve sustainable economic and social welfare in the Palestinian society.	.736	0.000*
10.	USAID funding contributes to support relief projects aims at assisting the poor and affected people by the Israeli siege in the Palestinian society.	.809	0.000*

\* Correlation is significant at the 0.05 level

Table (4.3) clarifies the correlation coefficient for each paragraph of **the Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors** and the total of the axis. The p-values (Sig.) are less than 0.05, so the correlation coefficient for each paragraph of this axis is significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this axis are consistent and valid to be measure what it was set for.

**Table 4.3 Correlation coefficient of each paragraph of Axis #3 and the total of this Axis**

No.	Item	Spearman Correlation Coefficient	P-Value (Sig.)
1.	USAID is serious in reforming the administrative, financial and structural regulations in the Palestinian society institutions	.653	0.000*
2.	USAID funding aims to support the Palestinian national goals away from the stabilization of the Israeli occupation	.726	0.000*
3.	USAID funding contributes to strengthening the self- capacity of Palestinian society	.679	0.000*
4.	USAID funding contributes to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to finance future projects	.751	0.000*
5.	USAID funding contributes in promoting the exploitation of Palestinian natural resources	.675	0.000*
6.	USAID funding opens new investment opportunities in Palestinian society which reflects on increasing the Palestinian Gross National Income	.593	0.000*

\* Correlation is significant at the 0.05 level

Table (4.4) clarifies the correlation coefficient for each paragraph of **the Restrictions the USAID imposed on providing aid to the Palestinian community** and the total of the axis. The p-values (Sig.) are less than 0.05, so the correlation coefficient for each paragraph of this axis is significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this axis are consistent and valid to be measure what it was set for.

**Table 4.4 Correlation coefficient of each paragraph of Axis #4 and the total of this Axis**

<b>No.</b>	<b>Item</b>	<b>Spearman Correlation Coefficient</b>	<b>P-Value (Sig.)</b>
1.	The NGO complies with the instructions and procedures imposed by the USAID.	.490	0.003*
2.	The NGO complies with a conditional availability of funding based on the present of U.S. experts to manage the funded grants.	.757	0.000*
3.	The NGO complies with a conditional availability of funding based on its board of directors members and project employees.	.579	0.001*
4.	The NGO adheres to set some standards and caveats for the procurement of projects funded by the USAID.	.527	0.002*
5.	The NGO is forced to change its policies in order to get the USAID funding.	.626	0.000*
6.	The NGO is forced to reorganize its structure to be able to obtain USAID funding.	.673	0.000*
7.	The NGO acceptance of the USAID's Anti-Terrorism Certificate as a base for receiving the Funding	.483	0.004*
8.	The NGO accepts funding specific sectors as required by USAID priorities	.635	0.000*
9.	The NGO complies to submitting Financial reports on the grants funded by USAID	.681	0.000*
10.	The NGO accepts USAID funding to fund project implemented in the West Bank and not in Gaza	.448	0.007*
11.	The USAID funding is affected by the change in the system of government in the Gaza Strip	.556	0.001*
12.	The Political Situations in Gaza Strip limits the continuity of the USAID funding provided to the NGO	.473	0.005*

\* Correlation is significant at the 0.05 level

### 4.7.3 Structure Validity of the Questionnaire

Structure validity is the second statistical test that used to test the validity of the questionnaire structure by testing the validity of each axis and the validity of the whole questionnaire. It measures the correlation coefficient between one field and all the fields of the questionnaire that have the same level of liker scale.

#### 4.7.3.1 Structure Validity

The researcher assessed the fields' structure validity by calculating the correlation coefficients of each axis of the questionnaire and the whole of questionnaire.

Table (4.5) clarifies the correlation coefficient for each field and the whole questionnaire. The p-values (Sig.) are less than 0.01, so the correlation coefficients of all the fields are significant at  $\alpha = 0.01$ , so it can be said that the fields are valid to be measured what it was set for to achieve the main aim of the study .

**Table 4.5 Correlation coefficient of each axis and the whole of questionnaire**

No.	Field	Spearman Correlation Coefficient	P-Value (Sig.)
	The Role of USAID funding in the NGO administrative development in the Palestinian society.	.723	0.000
	The Role of USAID funding in the NGO economical development in the Palestinian society.	.864	0.000
	The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	.665	0.000
	The Restrictions the USAID imposed on providing aid to the Palestinian Community.	.566	0.001

\*\* Correlation is significant at the 0.01 level

### 4.8 Reliability of the Research

The reliability of an instrument is the degree of consistency which measures the attribute; it is supposed to be measuring (Polit & Hunger,1985). The less variation an instrument produces in repeated measurements of an attribute, the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool. The test is repeated to the same sample of people on two occasions and

then compares the scores obtained by computing a reliability coefficient (Polit & Hunger, 1985).

#### **4.8.1 Cronbach's Coefficient Alpha**

This method is used to measure the reliability of the questionnaire between each axis and the mean of the whole fields of the questionnaire. The normal range of Cronbach's coefficient alpha value between 0.0 and + 1.0, and the higher values reflects a higher degree of internal consistency. The Cronbach's coefficient alpha was calculated for each axis of the questionnaire.

#### **4.8.2 Reliability Statistics**

Table (4.6) shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha were in the range from 0.779 and 0.890. This range is considered high; the result ensures the reliability of each axis of the questionnaire. Cronbach's Alpha equals 0.860 for the entire questionnaire, which indicates an excellent reliability of the entire questionnaire.

**Table 4.6 Cronbach's Alpha for each field of the questionnaire and all the questionnaire**

No.	Field	Cronbach's Alpha
1.	The Role of USAID funding in the NGO administrative development in the Palestinian society.	0.890
2.	The Role of USAID funding in the NGO economical development in the Palestinian society.	0.790
3.	The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	0.779
4.	The Restrictions the USAID imposed on providing aid to the Palestinian Community.	0.860
	<b>Total</b>	<b>0.892</b>

## CHAPTER FIVE

### DATA ANALYSIS, INTERPRETATIONS OF HYPOTHESIS TESTING

#### 5.1 Introduction:

Sign test is used to determine if the mean of a paragraph is significantly different from a hypothesized value 3. If the P-value (Sig.) is smaller than the level of significance,  $\alpha = 0.05$ , then the mean of a paragraph is significantly different from a hypothesized value 3. The sign of the Test value indicates whether the mean is significantly greater or smaller than hypothesized value 3. On the other hand, if the P-value (Sig.) is greater than the level of significance,  $\alpha = 0.05$ , then the mean of a paragraph is insignificantly different from a hypothesized value 3.

The following Statistical hypothesis tests are used:

1. Mann-Whitney test to examine if there is a statistical significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to educational qualifications.
2. The Kruskal-Wallis test is used to check and if there are any significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to personal traits (Job title, NGO field of work, and years of experience in the field of work.)

#### 5.2 First Research Question: What is the effect of the USAID funding in building the Palestinian Institutions and strengthening their capacity?

Two sub-questions will be examined:

##### 1-a The Role of USAID funding in the NGO administrative development in the Palestinian society.

Table (5.1) shows that 71.6% of the respondents agree (Largely and largely to a great extent) that USAID funding contributes to the administrative development in the Palestinian NGOs. While 16.2% slightly or very slightly that USAID funding has a limited role in developing the administrative issues at the Palestinian NGOs.

**Table (5.1): NGO Administrative Development**

<b>Response</b>	<b>Percent</b>
Very Slightly	8.2%
Slightly	8.0%
Neutral	12.2%
Largely	54.2%
<b>Largely to a great extent</b>	17.4%

**Table (5.2) shows the following results:**

The mean of paragraph (3) " The NGO accepts the USAID financial and technical oversight of funds and activities" is 4.18 (83.64%), test value = 7.49, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly greater than the hypothesized value 3. Which indicates that USAID impose their requirements and oversights on NGOs to comply with their Financial and technical policies and procedures which in turn allow NGOs to receive funding.

The mean of paragraph (11) " USAID funding enables the NGO to prepare projects activities in accordance with the developmental requirements of civil society" is 3.18 (63.64%), test value = 2.63, P-value = 0.005 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly greater than the hypothesized value 3. This indicates that many of the respondents agree that USAID funding has a limited effect in enabling NGOs to prepare their project activities according to the developmental requirements of the Palestinian civil society.

The mean of paragraph (13) "USAID funding provided to NGO depends on the strength of coordination between the NGO and other non-governmental institutions working in the same area." is 2.92 (58.44%), test value = -0.77, P-value = 0.221 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is insignificantly different from the hypothesized value 3. This indicates that respondents were not able to formulate a full vision on whether USAID funding depends on the strength of coordination between the NGO and other non-governmental institutions working in the same sector. Whereas some respondents refer to that the lack of planning and coordination in managing the fund, along with the intense competition for funding among most NGOs has given the USAID a wide margin and significant

flexibility in setting priorities to best fit their political, economic and social agendas (Rather than the agendas of Palestinian NGOs).

**On average, the mean of the axis " The Role of USAID funding in the NGO administrative development in the Palestinian society" is 3.65 (72.95%), test value = 6.93, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this axis is significantly greater than the hypothesized value 3.**

**This reveals a positive effect of the USAID funding in NGOs administrative development but not to the level needed to attain independence and self-determination and to lay the foundations for sustainable administrative development.**

**This finding was consistent with Sharaf (2005) that the NGOs must strengthen and support their financial control to increase the trust from donors point views, which safeguard the contribution of the needed finance to continuo in serving the civil Palestinian society. In addition, it is consistent with Alagha (2005) concern with the development of an approach for allocating the resources to maintain the availability of technical requirements and execution and operation sustainability within the NGO. Also according to MAS (2005) this finding came in consistency that better coordination is needed between Palestinian recipient institutions and donor agencies and between these two groups themselves to plan and coordinate the inflow of the international funds.**

**Table (5.2): Means and Test values for "NGO administrative development"**

No	Paragraph	Mean	Proportional Mean (%)	Test value	P-value (Sig.)	Rank
1	Access to the USAID funding increases the rationalization of financial resource and financial skills of NGO workers which helps in increasing their financial discretion.	3.84	76.88	6.26	0.000*	5
2	Access to the USAID funding allows having clear financial and administrative systems for the NGO.	4.13	82.60	7.46	0.000*	2
3	The NGO accepts the USAID financial and technical oversight of funds and activities	4.18	83.64	7.49	0.000*	1

4	Access to funding allows the NGO to develop plans of long-term development strategy	3.68	73.51	5.06	0.000*	7
5	Access to funding enables the NGO to choose the most efficient forms of organization	4.03	80.52	7.12	0.000*	4
6	Funding empowers the NGO employees to be more capable of production through education and training, organization and implementation of projects	4.08	81.56	7.66	0.000*	3
7	Funding increases the ability of NGO employees to prepare the Palestinian civil society to play a positive role in decision-making and identify priority projects	3.84	76.88	6.70	0.000*	5
8	USAID funding aims at developing the capacity of NGO's employees to manage the funded grants which contributes to the implementation of sustainable projects.	3.66	73.25	5.46	0.000*	8
9	USAID adopts the policy of participation among decision makers in the NGO to identify their needs in the provided funding	3.61	72.21	4.64	0.000*	9
10	USAID funding increase the ability of NGO to implement programs and activities based on pre-designed plans	3.55	70.91	4.79	0.000*	10
11	USAID funding enables the NGO to prepare projects activities in accordance with the developmental requirements of civil society	3.18	63.64	2.63	0.005*	12
12	USAID funding enables the NGO to prepare projects activities in accordance with the Emergency requirements of civil society	3.40	68.05	3.57	0.000*	11
13	USAID funding provided to NGO depends on the strength of coordination between the NGO and other non-governmental institutions working in the same area.	2.92	58.44	-0.77	0.221	14
14	USAID in partnership with the NGO identify the developmental priorities of the local Palestinian	2.96	59.22	-0.74	0.228	13

community in the preparation of projects					
<b>The Role of USAID funding in the NGO administrative development in the Palestinian society.</b>	<b>3.65</b>	<b>72.95</b>	<b>6.93</b>	<b>0.000*</b>	

\* The mean is significantly different from 3

### **1-b: The Role of USAID funding in the NGO economical development in the Palestinian society.**

Table (5.3) shows that 32.6% of the respondents agree (Largely and To a great extent) that indicates that the development paradigm of USAID has incorporated the basic needs approach with reference to the human imperative, as well as to the view on human capital as a source of endogenous growth. While 48.6% of the respondents slightly agree or very slightly agree that the USAID played an important role in elevating poverty, improving the living standards of Palestinians.

**Table (5.3): NGO Economical Development**

<b>Response</b>	<b>Percent</b>
Very Slightly	21.7%
Slightly	26.9%
Neutral	18.8%
Largely	28.6%
Largely To a great extent	4.0%

### **Table (5.4) shows the following results:**

The mean of paragraph (4) " USAID funding concentrates on emergency crises instead of long-term funding " is 3.23 (64.68%), test value =2.13, P-value = 0.017 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly greater than the hypothesized value 3. Which indicates that the there is a positive and strong relationship between USAID funding and economic growth, and a negative relationship between aid and development, this means that aid concentrate on the emergency crisis and short-term projects that contribute to growth but the growth is not translated into meaningful development.

The mean of paragraph (7) "The projects funded by the USAID contribute to the reduction of unemployment by recruiting labors significantly" is 2.86 (57.14%), test value =0.000, P-value =0.500 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is insignificantly different from the hypothesized value 3. Which indicates that the projects funded by the USAID have a limited role in reducing the large and growing number of unemployment in the Palestinian society because the funded amount is insufficient to meet the actual Palestinian's demand. In addition, that the nature of the projects submitted by NGOs to donor concentrate on short-term relief projects without taking in to consideration the economical development of citizens in helping to create jobs and thereby reducing unemployment rates.

The mean of paragraph (10) " USAID funding contributes to support relief projects aims at assisting the poor and affected people by the Israeli siege in the Palestinian society " is 2.61(52.21%), test value =-1.71, P-value =0.044 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly smaller than the hypothesized value 3. Which indicates that USAID funding channeled to support the relief projects did not fully assist poor and neither reduce the Palestinian economy vulnerability and dependency on the external factors and nor did not limit the negative affect of the Israeli occupation and compensate for the damages and losses inflicted on the Palestinian Society and individuals by Israeli practices and policies.

**On average, the mean of the axis " The Role of USAID funding in the NGO economical development in the Palestinian society " is 2.66(53.27%), test value =-3.56, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this axis is significantly smaller than the hypothesized value 3.**

**That reveals that USAID funding channeled to NGOs did not meet the expected economical development strategies knowing that the funds are limited and restricted to small scale projects and in sometimes these funds are irrationally distributed among different sectors which in many cases is not consistent with the Palestinian needs and priorities.**

**In addition, this finding indicates that the effective use of foreign aid to reduce poverty requires optimally allocating between the following two components: promotion of economic growth and direct targeting of the poor. The optimal mix**

of the above components will depend upon the characteristics of the recipient in question.

This finding is consistent with Ngang (2008) which shows that the foreign aid significantly contributes to the current level of economic growth but has not significantly contributed to economic development. In addition, it was consistent with Bumside and Dollar (1997) which found a positive impact on growth in developing countries with good fiscal, monetary and trade policies, but in the presence of poor policies, aid has no positive effect on growth.

According to the United Nations Conference on Trade and Development report (2006) the relationship between aid and development depends not just on the types of aid that are being offered, but also on the development policies and programs targeted by the aid. In addition, UN report (2006) shows that while aid as pure relief could be damaging if it accepts and reinforces coping strategies that lead to the economy de-formalization and a weakening of the PA's already limit developmental capacities. MAS (2005) was also consistent with this finding in recommending that aid could be better used as the focus shifts back from relief to development, promoting productive capacity and better investment climate to improve the long term living conditions of the Palestinian people. Also according to IMF working paper (2005) which showed that aid had no significant impact on growth, savings or investment and that aid was shown to increase unproductive public consumption and fail to promote investment. IMF (2005) also concluded that aid can be effective when policies are good.

**Table (5.4): Means and Test values for "NGO economical development"**

No	Paragraph	Mean	Proportional Mean (%)	Test value	P-value (Sig.)	Rank
1	The amount of USAID funding provided to the NGO aims at implementing developmental projects at large scale	2.69	53.77	-1.20	0.114	4
2	The amount of USAID funding provided to the NGO aims at implementing relief projects at large scale	3.14	62.86	1.93	0.027*	2

3	The amount of the USAID funding provided to the NGO is considered to be enough to cover all NGO projects.	1.94	38.70	-6.95	0.000*	10
4	USAID funding concentrates on emergency crises instead of long-term funding	3.23	64.68	2.13	0.017*	1
5	Rationale Distribution for USAID funding is conducted equally for all NGO sectors (Social, productive.....etc).	2.58	51.69	-2.12	0.017*	7
6	The amount of the USAID funding provided to the NGO to implement its projects covers a large fraction of the humanitarian suffering of the Palestinian society.	2.53	50.65	-2.79	0.003*	8
7	The projects funded by the USAID contribute to the reduction of unemployment by recruiting labors significantly.	2.86	57.14	0.00	0.500	3
8	USAID funded projects that are implemented by the NGO have sustainable development impact on the Palestinian economy.	2.60	51.95	-1.59	0.056	6
9	USAID funding contributes to support development projects to achieve sustainable economic and social welfare in the Palestinian society.	2.45	49.09	-2.65	0.004*	9
10	USAID funding contributes to support relief projects aims at assisting the poor and affected people by the Israeli siege in the Palestinian society.	2.61	52.21	-1.71	0.044*	5
<b>The Role of USAID funding in the NGO economical development in the Palestinian society.</b>		<b>2.66</b>	<b>53.27</b>	<b>-3.56</b>	<b>0.000*</b>	

\* The mean is significantly different from 3

**Table (5.5): The Effect of the USAID funding in building the Palestinian Institutions and strengthening their (Administrative and economical) capacities**

<b>Response</b>	<b>Percent</b>
Very Slightly	13.8%
Slightly	15.9%
Neutral	14.9%
Largely	43.5%
Largely To a great extent	11.9%

<b>Field</b>	<b>Mean</b>	<b>Proportional Mean (%)</b>	<b>Test value</b>	<b>P-value (Sig.)</b>
<b>The Effect of the USAID funding in building the Palestinian Institutions and strengthening their (Administrative and economical) capacities.</b>	3.24	64.8	3.70	0.000*

\* The mean is significantly different from 3

Table (5.5) shows that 55.4% of the respondents agree (Largely and largely to a great extent) that the USAID funding has an effect in building the Palestinian Institutions and strengthening their capacity. While 29.7% slightly or very slightly that USAID funding effect on the empowerment is judged by the extent to which the funding is effectively allocated across sectors in order to maximum a large number of development priorities and to meet the Palestinian strategic vision.

**On average, the mean of the axis "The Effect of the USAID funding in building the Palestinian Institutions and strengthening their (Administrative and economical capacities) " is 3.24 (64.8%), test value = 3.70, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this axis is significantly greater than the hypothesized value 3. This indicates that the USAID funding has an average effect in building and strengthening the capacity of NGOs despite of being conditional and in sometimes according to US Political agendas in determining the interventions that in many cases do not comply with the Palestinian community.**

**5.3 Second Research Question: What is the Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors?**

Table (5.5) shows that 37.5% of the respondents agree (Largely and largely to a great extent) that there are several questions surrounding the continuity of this assistance during the forthcoming period which in turn significantly increases the level of risk and vulnerability to external factors. These questions surround a number of factors related to this assistance, such as the link between assistance and developments in the political process, inconsistency in the level of compatibility with Palestinian priorities, and changes taking place during the last eight years, as more than 75 percent of this assistance, according to USAID fact sheet for year 2008, was directed toward humanitarian relief programs. While 35.2% of the respondents slightly agree or very slightly agree that the USAID funding contributed to emancipation of the Palestinian Community to external factors.

**Table (5.6): Emancipation from external factors**

<b>Response</b>	<b>Percent</b>
Very Slightly	16.2%
Slightly	19.0%
Neutral	27.3%
Largely	32.7%
Largely To a great extent	4.8%

**Table (5.7) shows the following results:**

The mean of paragraph (1) " USAID is serious in reforming the administrative, financial and structural regulations in the Palestinian society institutions " is 3.51 (70.13%), test value = 4.35, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly greater than the hypothesized value 3. Which indicates that the USAID funding provided to NGOs plays an important role in reforming the administrative and financial structural regulations within the Palestinian NGOs to strengthen their compliance to the funds they receive and to utilize it more efficiently.

The mean of paragraph (4) " USAID funding contributes to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to finance future projects" is 2.96 (59.22%), test value =-0.86, P-value =0.194 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is insignificantly different from the hypothesized value 3. This indicates that respondents were not able to formulate a full vision on the contribution of USAID funding in increasing the independency of Palestinian civil institutions and self-reliance and has not fully contributed to the independency of Palestinian NGOs to provide necessary funding to their future long-term projects. Additionally, USAID funding has not fully integrated this concept in to funding provided in order for the beneficiaries to become self- reliance and full partners in formulating and taking decisions related to their communities.

The mean of paragraph (5) "USAID funding contributes to promoting the exploitation of Palestinian natural resources" is 2.75 (55.06%), test value =-0.78, P-value =0.217 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is insignificantly different from the hypothesized value 3. This indicates that 55.06% of respondents agree that USAID funding didn't contribute to promoting the exploitation of Palestinian natural resources through tying provision of assistance to the condition that raw materials and equipment necessary for funding projects should be manufactured externally which as a result eliminates the economical development.

The mean of paragraph (2) " USAID funding aims to support the Palestinian national goals away from the stabilization of the Israeli occupation" is 2.68(53.51%), test value =-2.17, P-value =0.015 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly smaller than the hypothesized value 3. This indicates that most of the Palestinian NGOs believe that USAID funding helps them to achieve a certain degree of economic growth but this is not enough to support their national goals knowing that the Palestinian economy depends on its Israeli counterpart and there were multiple forms and channels of inter-linkage between them in the areas of labor, trade relations and tax revenues.

**On average, the mean of the axis " The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors " is 2.91(58.14%), test value =-0.12, P-value = 0.453 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this axis is insignificantly different from the hypothesized value 3.**

**This concludes that %58.14 of the NGOs respondents were unable to formulate a clear vision about the USAID, and they believe that the USAID funding to Palestinians were consistent with donor policy and with Israeli priorities regardless to the actual Palestinian needs. The variation does not mean that the assistance to Palestinian people has not been effective but its impact could have been greater if donor funding interests and Palestinian development priorities were closely matched.**

**This finding was consistent with Arafat (2005) considering the American foreign policy towards Palestine from Nixon to Clinton as the sole option for resolving the Palestinian conflict. Also it was consistent with Hamed (2008) that concludes that the American policy position towards the Palestinian have been in full harmony with the requirements for Israeli's superiority as a strategic source in the region. In addition, Abu Nahla (2008) was consistent with this finding in recommending that the donors should provide their funding to the PNGOs according to PNGOs priorities not according to their policies. Also this finding came in consistency with the Human Development Report (2005) which states that the resulting administrative vacuum strengthened the donors development agendas and political influence and increased the dependency of civil society organizations on donor funding and expertise.**

**Table (5.7): Means and Test values for "Emancipation from external factors"**

No	Paragraph	Mean	Proportional Mean (%)	Test value	P-value (Sig.)	Rank
1	USAID is serious in reforming the administrative, financial and structural regulations in the Palestinian society institutions	3.51	70.13	4.35	0.000*	1
2	USAID funding aims to support the Palestinian national goals away from the stabilization of the Israeli occupation	2.68	53.51	-2.17	0.015*	6
3	USAID funding contributes to strengthening the self- capacity of Palestinian society	2.70	54.03	-1.04	0.149	5
4	USAID funding contributes to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to finance future projects	2.96	59.22	-0.86	0.194	2
5	USAID funding contributes in promoting the exploitation of Palestinian natural resources	2.75	55.06	-0.78	0.217	4
6	USAID funding opens new investment opportunities in Palestinian society which reflects on increasing the Palestinian Gross National Income	2.84	56.88	-0.27	0.394	3
<b>The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.</b>		<b>2.91</b>	<b>58.14</b>	<b>-0.12</b>	<b>0.453</b>	

\* The mean is significantly different from

#### **5.4 Third Research Question: What is the Restrictions the USAID impose on providing aid to the Palestinian Community?**

Table (5.8) shows that 63.8% of the respondents agree (Largely and Largely to a great extent) that the USAID has taken several precautions to ensure that funds for Palestinian NGOs in the West Bank and Gaza Strip are not used to support any activity against their agenda. While 22.5% of the respondents slightly agree or very slightly agree that USAID performs these regulations with the NGOs as only procedures but that doesn't correlate to their recipients of the fund.

**Table (5.8): Restrictions from USAID**

<b>Response</b>	<b>Percent</b>
Very Slightly	9.6%
Slightly	12.9%
Neutral	13.7%
Largely	34.1%
Largely To a great extent	29.7%

**Table (5.9) shows the following results:**

The mean of paragraph (12) " The Political Situations in Gaza Strip limits the continuity of the USAID funding provided to the NGO " is 4.50 (90.00%), test value = 7.64, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$  , then the mean of this paragraph is significantly smaller than the hypothesized value 3. Which indicates that a large percentage of NGOs believe that The development potential of the Palestinian economy has therefore depended on the trade regime, fiscal and monetary policies and labor mobility criteria, and that there is a close link between assistance and developments in the political process and that the funding is based on the political situation.

The mean of paragraph (1) " The NGO complies with the instructions and procedures imposed by the USAID." is 4.48 (89.61%), test value = 8.31, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$  , then the mean of this paragraph is significantly smaller than the hypothesized value 3. Which indicates that Palestinian NGOs accept complying with USAID legal frameworks and administrative procedures in order to meet USAID requirements for receiving aid.

The mean of paragraph (7) " The NGO acceptance of the USAID's Anti-Terrorism Certificate as a base for receiving the Funding " is 2.84(56.84%), test value =-1.74, P-value =0.041 which is smaller than the level of significance  $\alpha = 0.05$  , then the mean of this paragraph is significantly smaller than the hypothesized value 3. Which indicates that the majority of Palestinian NGOs sign the Anti-Terrorism Certificate as a requirement to receive the fund but this doesn't comply with NGOs believes and vision towards their community.

The mean of paragraph (10) " The NGO accepts USAID funding to fund project implemented in the West Bank and not in Gaza " is 2.30(46.05%), test value =-3.84, P-value =0.000 which is smaller than the level of significance  $\alpha = 0.05$  , then the mean of this paragraph is significantly smaller than the hypothesized value 3. This indicates that many NGOs do not accept the idea imposed by USAID in implementing projects in the West Bank and not including Gaza in USAID Strategic developmental agenda, but because they do not have a choice in proposing nor in participating in the planning for their development priorities.

**On average, the mean of the axis " The Restrictions the USAID imposed on providing aid to the Palestinian Community " is 3.62(72.34%), test value =7.23, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$  , then the mean of this axis is significantly greater than the hypothesized value 3.**

**This indicates that a large number of respondents agree that USAID imposes certain restrictions and conditions such as (Anti-Terrorist Certificate) as a requirement to provide funding which puts a burden on NGOs accepting this fund to implement projects and eliminates most NGOs from accepting this conditional funding regardless of their needs for fund. This finding is consistent with the Arab Orient Center for Strategic and Civilizations study (2004) that the international funding is provided to developing countries according to donors political agendas in the region. In addition, it was consistent with Wickstrom and Universitet (2006) that the political as well as economic conditionality can have severe and unintended destabilizing effects on developing countries where it can undermine government authority as donors being to make economic and political policies (eg. Designing structure adjustment programs) which can gradually damages the roots of democracy by hurting health, education and economic growth.**

**Table (5.9): Means and Test values for "Restrictions from USAID"**

<b>N0</b>	<b>Paragraph</b>	<b>Mean</b>	<b>Proportional Mean (%)</b>	<b>Test value</b>	<b>P-value (Sig.)</b>	<b>Rank</b>
1	The NGO complies with the instructions and procedures imposed by the USAID.	4.48	89.61	8.31	0.000*	2
2	The NGO complies with a conditional availability of funding based on the present of U.S. experts to manage the funded grants.	3.68	73.68	4.22	0.000*	7
3	The NGO complies with a conditional availability of funding based on its board of directors members and project employees.	3.93	78.68	6.55	0.000*	6
4	The NGO adheres to set some standards and caveats for the procurement of projects funded by the USAID.	3.95	78.95	6.74	0.000*	5
5	The NGO is forced to change its policies in order to get the USAID funding.	3.32	66.32	2.41	0.008*	8
6	The NGO is forced to reorganize its structure to be able to obtain USAID funding.	3.22	64.47	2.48	0.007*	9
7	The NGO acceptance of the USAID's Anti-Terrorism Certificate as a base for receiving the Funding	2.84	56.84	-1.74	0.041*	10
8	The NGO accepts funding specific sectors as required by USAID priorities	2.67	53.42	-1.85	0.032*	11
9	The NGO complies to submitting Financial reports on the grants funded by USAID	4.31	86.13	7.26	0.000*	3
10	The NGO accepts USAID funding to fund project implemented in the West Bank and not in Gaza	2.30	46.05	-3.84	0.000*	12
11	The USAID funding is affected by the change in the system of government in the Gaza Strip	4.14	82.89	6.20	0.000*	4
12	The Political Situations in Gaza Strip limits the continuity of the USAID funding provided to the NGO	4.50	90.00	7.64	0.000*	1
<b>The Restrictions the USAID imposed on providing aid to the Palestinian Community.</b>		<b>3.62</b>	<b>72.34</b>	<b>7.23</b>	<b>0.000*</b>	

\* The mean is significantly different from 3

Table (5.9) shows that 55.2% of the respondents agree (Largely and largely to a great extent) that USAID funding has an effect on developing the Palestinian community from the perspective of the Palestinian NGOs. While 18.5% slightly or very slightly, that USAID funding has played an important role with NGOs in providing the necessary funding that help in approaching the sustainable development vision of the Palestinian Community.

**Table (5.10): Summary of all research variables:**

Response	Percent
Very Slightly	13.0%
Slightly	15.5%
Neutral	16.4%
Largely	39.3%
Largely to a great extent	15.9%

Field	Mean	Proportional Mean (%)	Test value	P-value (Sig.)
<b>The Effect of USAID funding on developing the Palestinian Community</b>	<b>3.37</b>	<b>67.4</b>	<b>4.56</b>	<b>0.000*</b>

\* The mean is significantly different from 3

**On average, the mean of the axis " The Effect of USAID funding on developing the Palestinian Community" is 3.37 (67.4%), test value = 4.56, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this axis is significantly greater than the hypothesized value 3. This indicates that USAID funding has brought some achievements, especially in developing the infrastructure, providing social services and helping in strengthening marginalized groups, but the achievements were unable to bring about the actual sustainable empowerment for the Palestinian community as a whole.**

**Hypothesis:**

There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to personal traits (Educational qualifications, Job title, NGO field of work, and years of experience in the field of work.)

**This hypothesis is divided into the following sub-hypotheses:**

- 1- There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to NGOs managers educational qualifications.**

Table (5.11) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for each field, then there is insignificant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to educational qualifications. We conclude that the respondents' educational qualification has no effect on their evaluation concerning the effect of USAID funding in developing the Palestinian community, which might be due to the funding characteristics and similar conditions to all recipients.

**Table (5.11): Mann-Whitney test of the fields and their p-values for educational qualifications**

<b>Field</b>	<b>Test value</b>	<b>P-value(Sig.)</b>
The Role of USAID funding in the NGO administrative development in the Palestinian society.	-0.436	0.663
The Role of USAID funding in the NGO economical development in the Palestinian society.	-0.582	0.561
The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	-0.588	0.557
The Restrictions the USAID imposed on providing aid to the Palestinian Community.	-0.704	0.481
<b>All FIELDS</b>	<b>-0.587</b>	<b>0.557</b>

**2- There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to job title**

Table (5.12) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for each field, then there is insignificant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to job title. The researcher concludes that the respondents' job title has no effect on their opinion concerning the effect of USAID funding in developing the Palestinian community.

**Table (5.12): Kruskal-Wallis test of the fields and their p-values for job title**

Field	Test Value	df	Sig.
The Role of USAID funding in the NGO administrative development in the Palestinian society.	5.040	4	0.283
The Role of USAID funding in the NGO economical development in the Palestinian society.	5.572	4	0.233
The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	4.486	4	0.344
The Restrictions the USAID imposed on providing aid to the Palestinian Community.	7.570	4	0.109
<b>All FIELDS</b>	<b>6.891</b>	<b>4</b>	<b>0.142</b>

\* df : Degrees of Freedom

**3- There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to NGO field of work**

Table (5.13) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for each field, then there is insignificant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to NGO field of work. We conclude that the respondents' NGO field of work has no effect on their evaluation of the effectiveness of USAID funding in developing the Palestinian community because all NGOs seek the different proposed USAID funded sectors, therefore in sometimes the NGOs re-direct their programs to meet USAID qualification for funding.

**Table (5.13): Kruskal-Wallis test of the fields and their p-values for NGO field of work**

<b>Field</b>	<b>Test Value</b>	<b>df</b>	<b>Sig.</b>
The Role of USAID funding in the NGO administrative development in the Palestinian society.	8.309	8	0.404
The Role of USAID funding in the NGO economical development in the Palestinian society.	9.061	8	0.337
The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	12.239	8	0.141
The Restrictions the USAID imposed on providing aid to the Palestinian Community.	9.277	8	0.319
<b>All FIELDS</b>	<b>11.233</b>	<b>8</b>	<b>0.189</b>

\* df : Degrees of Freedom

**4- There is a significant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to years of experience in the field of work**

Table (5.12) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for each field, then there is insignificant difference between the respondents toward the effect of USAID funding in developing the Palestinian community due to years of experience in the field of work. We conclude that the respondents' years of experience in the field of work has no effect on their evaluation of the effect of USAID funding in developing the Palestinian community.

**Table (5.14): Kruskal-Wallis test of the fields and their p-values for years of experience in the field of work**

<i>Field</i>	Test Value	df	Sig.
The Role of USAID funding in the NGO administrative development in the Palestinian society.	0.372	3	0.946
The Role of USAID funding in the NGO economical development in the Palestinian society.	0.581	3	0.901
The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.	1.389	3	0.708
The Restrictions the USAID imposed on providing aid to the Palestinian Community.	3.273	3	0.351
<b>All FIELDS</b>	<b>0.101</b>	<b>3</b>	<b>0.992</b>

\* df: Degrees of Freedom

**The following two open-ended questions were measured in the questionnaire:**

**1- What is your evaluation for the effect of the USAID funding? Moreover, how it reflects on the development of the Palestinian community?**

About 85% of the responded NGOs answered positively to this question. Their clarifications were concentrated on the following points:

- 1- USAID funding has a very distinguished role in supporting the Palestinian community in different sectors but due to the political uncertainty in the region it eliminates this funding and shifting it to be concentrated on more humanitarian relief projects away from the NGOs developmental vision.
- 2- USAID funding is more focused on development and resource allocation than Arab funding which concentrate mostly on the short-term relief projects.
- 3- USAID funding has a very effective role in developing the NGOs capacity and in supporting the Palestinian community despite of being conditional and in sometimes according to US political agendas in determining their intervention that in sometimes does not comply with the Palestinian priorities.
- 4- USAID funding has also played an important role with NGOs in providing them with the necessary funding and in-kind technical support, which helps the NGOs comply with the inflexible, complicated financial and administrative requirements imposed by USAID on the management and implementation of NGO programs.
- 5- USAID funding has played two opposing roles- one positive and one negative. The positive one in which they provide funding for Palestinian projects especially in the areas of skills development and capacity building. The negative role shows in the poor coordination between donor development programs and policies at the macro level in the limited sensitivity they display toward Palestinian priorities and political aspiration, and in attempts to impose their political agendas through funding.
- 6- USAID funding has brought some achievements, especially in developing infrastructure, providing social services, and helping to strengthen marginalized groups, but the achievements were unable to bring about actual empowerment of these groups.

- 7- USAID funding should provide funding according to the PNGOs and not according to their planned agendas.
- 8- USAID funding provided to NGOs projects has a limited role in reducing the large and growing number of unemployment in the Palestinian society because the funded amount is insufficient to meet the actual Palestinian's demand.
- 9- USAID funding has proven to be an effective funding in the short term but it doesn't have any long term sustainable development impact on the Palestinian economy
- 10- USAID funding empowers the NGO employees to be more capable of production through education and training, organization and implementation of projects

**2- Do you have any suggestions to increase the effect of the USAID funding?**

Almost ALL the responded NGOs answered to this question. Their suggestions for more effective USAID funding were concentrated on the following points:

- 1- USAID must continuo-providing funding to PNGOs regardless to the political Situations in Gaza Strip.
- 2- USAID must adopt the policy of participation among decision makers in the NGO to identify their needs in the provided funding.
- 3- USAID funding must increase the ability of NGO to implement programs and activities based on pre-designed plans
- 4- USAID in partnership with the NGO must identify the developmental priorities of the local Palestinian community in the preparation of projects.
- 5- USAID funding provided to the NGO must be focused at implementing developmental projects at large scale and according to long-term developmental strategy.
- 6- USAID should provide equal funding to NGO different sector to maintain overall economical growth.
- 7- USAID funding should contribute to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to implement future projects.

## CHAPTER SIX

### CONCLUSIONS AND RECOMMENDATIONS

#### **6.1 Conclusions:**

This research investigates the effect of the USAID funding in developing the Palestinian Community from the PNGOs perspectives and summarizes the following conclusions based on the findings.

##### **6.1.1 Research Question #1**

*What is the effect of the USAID funding in building the Palestinian Institutions and strengthening their Capacity?*

Statistics analysis shows that 55.4% of the respondents agree that USAID funding has an effect in building the Palestinian Institutions and strengthening their Capacity,

#### **Which indicate the following points:**

- 1- USAID funding has an effect in developing the NGOs capacity and in supporting the Palestinian community despite of being conditional and in sometimes according to US political agendas in determining their intervention that in sometimes does not comply with the Palestinian priorities.
- 2- USAID funding effect on the empowerment is judged by the extent to which the funding is effectively allocated across sectors in order to address the maximum number of development priorities and to meet the needs of the Palestinian people.
- 3- The lack of planning and coordination in managing the fund, along with the intense competition for funding among most NGOs has given the USAID a wide margin and significant flexibility in setting priorities to best fit their political, economic and social agendas (Rather than the agendas of Palestinian NGOs).
- 4- USAID funding has also played an important role with NGOs in providing them with the necessary funding and in-kind technical support, which helps the NGOs to successfully fulfill their mandated tasks and provide basic levels of services to the citizenry.
- 5- USAID funding has played two opposing roles- one positive and one negative. The positive one in which they provide funding for Palestinian projects

especially in the areas of skills development and capacity building. The negative role shows in the poor coordination between donor development programs and policies at the macro level in the limited sensitivity they display toward Palestinian priorities and political aspiration, and in attempts to impose their political agendas through funding.

- 6- USAID funding empowers the NGO employees to be more capable of production through education and training, organization and implementation of projects
- 7- USAID funding has brought some achievements, especially in developing infrastructure, providing social services, and helping to strengthen marginalized groups, but the achievements were unable to bring about actual empowerment of these groups.

### **6.1.2 Research Question # 2**

*What is the Contribution of the USAID funding on the emancipation of the Palestinian Community?*

Statistics analysis shows that 58.14% of the respondents agree that USAID funding contributes on the emancipation of the Palestinian Community, **Which indicates the following points:**

- 1- There is a positive relationship between USAID funding and economic growth, and a negative relationship between aid and development, this means that aid contributes to growth but the growth is not translated into meaningful development.
- 2- The projects funded by the USAID have a limited role in reducing the large and growing number of unemployment in the Palestinian society because the funded amount is insufficient to meet the actual Palestinian's demand.
- 3- USAID funding did not reduce the Palestinian economy vulnerability and dependency on the external factors and nor did limit the negative affect of the Israeli occupation and compensate for the damages and losses inflicted on the Palestinian Society and individuals by Israeli practices and policies.
- 4- USAID funding has achieved a degree of success in empowering some poor and marginalized groups, as evidenced in the microfinance programs targeting women and limited income families, the emergency relief programs, and job

- creation projects. Unfortunately, however, the needs of these groups have still not been fully met, as the vast majority remains mired in the cycles of unemployment and poverty. In addition, these programs are criticized for failing to establish links between immediate relief efforts and longer-term development programs that contribute to sustainable empowerment
- 5- USAID funding contributed to increasing the independency of Palestinian civil institutions and self-reliance and has contributed to the promotion of the participation to a certain extent. However, it has not fully integrated this concept in to funding provided in order for the beneficiaries to become full partners in formulating and taking decisions related to their communities.
  - 6- Most of the Palestinian NGOs believe that USAID funding helps them to a achieve a certain degree of economic growth but this is not enough to support their national goals knowing that the Palestinian economy depends on its Israeli counterpart and there were multiple forms and channels of inter-linkage between them in the areas of labor, trade relations and tax revenues.
  - 7- USAID funding to Palestinians were consistent with donor policy and with Israeli priorities regardless to the actual Palestinian needs and disbursement, spending was relatively under expectations. The variation does not mean that the assistance to Palestinian people has not been effective but its impact could have been greater if donor funding interests and Palestinian development priorities were closely matched.

### **6.1.3 Research Question # 3**

*What are the restrictions the USIAD impose on providing aid to Palestinians?*

Statistics analysis shows that 72.34% of the respondents agree that USAID impose on providing aid to Palestinians, **Which indicate the following points:**

- 1- A large percentage of NGOs believe that the development potential of the Palestinian economy has therefore depended on the trade regime, fiscal and monetary policies and labor mobility criteria, and that there is a close link between assistance and developments in the political process and that the funding is based on the political situation.
- 2- USAID funding has a very distinguished role in supporting the Palestinian community in different sectors but due to the political uncertainty in the region,

- it eliminates this funding and shifting it to be concentrated on more humanitarian relief projects away from the NGOs developmental vision.
- 3- The Palestinian NGOs are forced to accept unfair political conditions as a prerequisite for development support.
  - 4- A large percentage of NGOs agree that USAID imposes certain restrictions and conditions as a requirement to provide funding which puts a burden on NGOs accepting this fund to implement projects and eliminates most NGOs from accepting this conditional funding regardless of their needs for fund.

#### **6.1.4 Research Question # 4**

*What is your evaluation for the effect of the USAID funding? Moreover, how it reflects on the development of the Palestinian community?*

The following conclusions were collected by NGO responding to the research open-ended questions included in the research questionnaire:

- 1- USAID funding has a very distinguished role in supporting the Palestinian community in different sectors but due to the political uncertainty in the region it eliminates this funding and shifting it to be concentrated on more humanitarian relief projects away from the NGOs developmental vision.
- 2- USAID funding has a very effective role in developing the NGOs capacity and in supporting the Palestinian community despite of being conditional and in sometimes according to US political agendas in determining their intervention that in sometimes does not comply with the Palestinian priorities.
- 3- USAID funding has also played an important role with NGOs in providing them with the necessary funding and in-kind technical support, which helps the NGOs comply with the inflexible, complicated financial and administrative requirements imposed by USAID on the management and implementation of NGO programs.
- 4- USAID funding has played two opposing roles- one positive and one negative. The positive one in which they provide funding for Palestinian projects especially in the areas of skills development and capacity building. The negative role shows in the poor coordination between donor development programs and policies at the macro level in the limited sensitivity they display toward

Palestinian priorities and political aspiration, and in attempts to impose their political agendas through funding.

- 5- USAID funding provided to NGOs projects has a limited role in reducing the large and growing number of unemployment in the Palestinian society because the funded amount is insufficient to meet the actual Palestinian's demand.
- 6- USAID funding has proven to be an effective funding in the short term but it doesn't have any long term sustainable development impact on the Palestinian economy

### **6.1.5 Research Question # 5**

*Do you have any suggestions to increase the effect of the USAID funding?*

The following conclusions were collected by NGO responding to the research open-ended questions included in the research questionnaire:

- 1- USAID must continuo-providing funding to PNGOs regardless to the political Situations in Gaza Strip.
- 2- USAID must adopt the policy of participation among decision makers in the NGO to identify their needs in the provided funding.
- 3- USAID funding must increase the ability of NGO to implement programs and activities based on pre-designed plans
- 4- USAID in partnership with the NGO must identify the developmental priorities of the local Palestinian community in the preparation of projects.
- 5- USAID funding provided to the NGO must be focused at implementing developmental projects at large scale and according to long-term developmental strategy.
- 6- USAID funding should contribute to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to implement future projects.

## **6.2 Recommendations:**

The following recommendations were derived from the NGOs respondents' suggestions to increase the USAID effectiveness towards development

### **6.2.1 Recommendations to Palestinian NGOs:**

To bring the comprehensive concept of funding effectiveness that requires a vision, a wise and legitimate leadership, well-guided institutions, and determination. Toward this end, the research offers the following interconnected recommendations, which consolidate the findings presented in its chapters.

**1-** Develop a strategic plan to attract funding and encourage ordinary citizens to engage in the activities of civil society institutions, investment and networking as a mechanism for supporting small enterprises.

**2-** The need for the NGOs to abide strictly to standards for receiving funding either internally or externally.

**3-** Promote, enhance, and create linkages in the relationships between different civil society organizations on sector, inter-sector, and geographic bases in order to promote their role in development and empowerment.

**4-** Due to the importance of collaboration of efforts in building the Palestinian Independent state and building an enabled and strong democratic civil society, coordination and cooperation, both in planning and implementation, is sure to strengthen and increase the role of civil society organizations and is the only guarantee to accomplish the desired social transformation.

**5-** The importance of establishing an independent body reporting directly to the Legislative council and comprising PA line ministries, representatives from the private sector, NGOs, academic and civil society. The main task of this body is to ensure that the priorities, objectives and mechanism of linking aid to development is determined in a participatory approach and that the allocation of donor funds is in line with lining process and serves the Palestinian socio-economic development vision.

**6-** NGOs should empower their capabilities in modern management such as identifying vision; determining general goals; developing strategies, programs, and budgets; monitoring and conducting impact assessment; promoting the use of feedback in reviewing strategies and programs; reporting; decision-making; accountability; and transparency.

**7-** NGOs should encourage participation in designing and updating a flexible development vision and lobbying to direct the funding in favor of the development vision and development activities that support perseverance as an issue of survival and political necessity.

**8-** NGOs must increase the level of cooperation and coordination to achieve and participate in economic development.

**9-** NGOs must convince the donor's to finance special projects that leads to the creation of job opportunities to reduce the level of unemployment.

**10-** NGOs must establish members council from General public experts, to follow NGOs performance in order to increase accountability and transparency.

### **6.2.2 Recommendations to USAID donor:**

In view of the information presented in this research, it is possible to derive a number of conclusions on the degree of effect to which USAID funding played in the Palestinian development process in general, and to empower Palestinian individuals and society as a whole. In order to mobilize this assistance for empowerment of the individual and development of Palestinian society, a set of recommendations were formulated, which, if implemented, would maximize the Palestinian people's potential to benefit from this assistance as they continue their efforts to achieve comprehensive, sustainable development.

**1-** USAID should promote community participation in formulating policies and preparing development and emergency plans by assigning a larger role to the local Councils in the management of funded projects.

**2-** USAID should not put restrictive Conditions as a pre-requisition for giving funds to NGOs because these conditions reflect on weakening the NGOs structures, performance, visions, goals, and strategies. These weaknesses are reflected negatively in their policies, plans, programs, initiatives, modes of interaction with the public, and ability to actively respond to challenges.

**3-** It is critical that the USAID adopts an inclusive, balanced, and long-term development strategy, to make it more likely that they will truly mitigate the occupation negative effects on Palestinians lives at present and in the future.

**4-** USAID must establish links between immediate relief efforts and long-term development programs that contribute to the sustainable development.

**5-** USAID must continue providing funding to PNGOs regardless to the political Situations in Gaza Strip.

**6-** USAID funding provided to the NGO must be focused at implementing developmental projects at large scale and according to long-term developmental strategy.

**7-** USAID must provide equal funding to NGO different sector to maintain overall economical growth.

**8-** USAID funding provided to the NGO must be sufficient to cover large fraction of the humanitarian suffering of the Palestinian society.

**9-** USAID funding must contribute to increasing the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to finance future projects.

**10-** USAID funding must focus on supporting the Palestinian national goals away from the stabilization of the Israeli occupation.

Finally yet importantly, According to Organization for Economic Co-Operation and Development, the United States action agenda to strengthen the effectiveness of its foreign assistance is based on the five principles of the Paris Declaration on Aid Effectiveness (USAID, 2008):

1. **Ownership:** Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions.
2. **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions, and procedures.
3. **Harmonization:** Donors' actions are more harmonized, transparent, and collectively effective.
4. **Managing for results:** Managing resources and improving decision making for development results.
5. **Mutual accountability:** Donors and partners are accountable for development results.

### **6.3 Suggestions for further Research:**

Because of the importance of this topic, further research can be carried out in the following areas:

- 1) The effectiveness of USAID funding in empowering women in the Palestinian Community.
- 2) Political instability and its impact on growth and development in Palestine.
- 3) Proposed measurement to better utilize USAID funding after Gaza war.

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2008/12/15

الجامعة الإسلامية – غزة  
عمادة الدراسات العليا  
كلية التجارة والعلوم الإدارية  
ماجستير إدارة الأعمال

السادة / مؤسسة \_\_\_\_\_ حفظكم الله

\_\_\_\_\_ : /  
(NGOs) - (USAID)

(USAID)

**The Effect of USAID Funding in Developing the Palestinian Community  
from the NGOs Perspective  
Case Study: Gaza Strip**

**وتفضلوا بقبول فائق الاحترام والتقدير**



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15/12/2008

## **Research Questionnaire**

**Islamic University of Gaza  
High Studies Deanery  
Faculty of Commerce  
Master of Business Administration**

**Dear Sir /** \_\_\_\_\_

**Subject: MBA questionnaire on "The Effect of USAID Funding in  
Developing the Palestinian Community- Case Study: Gaza Strip"**

The research aims at evaluating the effectiveness of USAID funding in empowering and strengthening the Palestinian Non-Governmental Organizations in order to allow them implement projects and programs designed to meet the Palestinian priorities. Therefore, the research questionnaire is prepared to collect your opinion on the

**The Effect of USAID Funding in Developing the Palestinian Community  
Case Study: Gaza Strip**

Considering your honorable contribution in implementing USAID funded projects at your organization, and appreciating your accumulative experience in that field, I would like to request your assistance in completing this questionnaire from your point of view.

Finally, I would like to assure you that the information you will be providing in this questionnaire will be kept confidential and used for the research purpose ONLY.

THANK YOU FOR YOUR COOPERATION

Researcher  
Abeer Qita

**General information:**

**Educational Qualifications**  Diploma  Bachelor  Master  Phd  
 Otherwise - identify \_\_\_\_\_

**Job Title**  Office Manager  Program Manager  Project Manager  
 Financial Manager  Otherwise - identify \_\_\_\_\_

**NGO Field of Work:**  Agriculture & Environment  Culture and Sports  
 Economic Development  Democracy and Human Rights  
 Education & Training  Health & Rehabilitation  
 Social Development  Social Services & Relief  
 Women & Child  Others: Identify \_\_\_\_\_

**Geographical Location covered by the NGO:**

Gaza city  North Gaza  Middle area  Khanyounis  Rafah

**Years of experience in the field of work:**

1-5  6-10  11-15  16 and over

No	<b>First axis: The Role of USAID funding in the NGO administrative development in the Palestinian society.</b>	<b>To a great extent</b>	<b>Largely</b>	<b>neutral</b>	<b>Slightly</b>	<b>Very Slightly</b>
1.	Access to the USAID funding increases the rationalization of financial resource and financial skills of NGO workers which helps in increasing their financial discretion.					
2.	Access to the USAID funding allows having clear financial and administrative systems for the NGO.					
3.	The NGO accepts the USAID financial and technical oversight of funds and activities					
4.	Access to funding allows the NGO to develop plans of long-term development strategy					
5.	Access to funding enables the NGO to choose the most efficient forms of organization					
6.	Funding empowers the NGO employees to be more capable of production through education and training, organization and implementation of projects					
7.	Funding increases the ability of NGO employees to prepare the Palestinian civil society to play a positive role in decision-making and identify priority projects					

		To a great extent	Largely	neutral	Slightly	Very Slightly
8.	USAID funding aims at developing the capacity of NGO's employees to manage the funded grants which contributes to the implementation of sustainable projects.					
9.	USAID adopts the policy of participation among decision makers in the NGO to identify their needs in the provided funding					
10.	USAID funding increase the ability of NGO to implement programs and activities based on pre-designed plans					
11.	USAID funding enables the NGO to prepare projects activities in accordance with the developmental requirements of civil society					
12.	USAID funding enables the NGO to prepare projects activities in accordance with the Emergency requirements of civil society					
13.	USAID funding provided to NGO depends on the strength of coordination between the NGO and other non-governmental institutions working in the same area.					
14.	USAID in partnership with the NGO identify the developmental priorities of the local Palestinian community in the preparation of projects					
	<b>Second axis: The Role of USAID funding in the NGO economical development in the Palestinian society.</b>					
15.	The amount of USAID funding provided to the NGO aims at implementing developmental projects at large scale					
16.	The amount of USAID funding provided to the NGO aims at implementing relief projects at large scale					
17.	The amount of the USAID funding provided to the NGO is considered to be enough to cover all NGO projects.					
18.	USAID funding concentrates on emergency crises instead of long-term funding					
19.	Rationale Distribution for USAID funding is conducted equally for all NGO sectors (Social, productive.....etc).					

		To a great extent	Largely	neutral	Slightly	Very Slightly
20.	The amount of the USAID funding provided to the NGO to implement its projects covers a large fraction of the humanitarian suffering of the Palestinian society.					
21.	The projects funded by the USAID contribute to the reduction of unemployment by recruiting labors significantly.					
22.	USAID funded projects that are implemented by the NGO have sustainable development impact on the Palestinian economy.					
23.	USAID funding contributes to support development projects to achieve sustainable economic and social welfare in the Palestinian society.					
24.	USAID funding contributes to support relief projects aims at assisting the poor and affected people by the Israeli siege in the Palestinian society.					
	<b>Third axis: The Contribution of the USAID funding on the emancipation of the Palestinian Community from external factors.</b>					
25.	USAID is serious in reforming the administrative, financial and structural regulations in the Palestinian society institutions					
26.	USAID sets funding priorities in accordance with their political Agendas and not according to the needs of Palestinian society					
27.	USAID uses the funding for more concessions from the Palestinian people in the area of national issues					
28.	USAID funding aims to support the Palestinian national goals away from the stabilization of the Israeli occupation					
29.	USAID funding contributes to strengthening the self- capacity of Palestinian society					
30.	USAID funding contributes to increase the independency of Palestinian civil institutions and self-reliance in providing the necessary funding to finance future projects					
31.	USAID funding contributes in promoting the exploitation of Palestinian natural resources					

		To a great extent	Largely	neutral	Slightly	Very Slightly
32.	USAID funding opens new investment opportunities in Palestinian society which reflects on increasing the Palestinian Gross National Income					
	<b>Fourth axis: The Restrictions the USAID imposed on providing aid to the Palestinian Community.</b>					
33.	The NGO complies with the instructions and procedures imposed by the USAID.					
34.	The NGO complies with a conditional availability of funding based on the present of U.S. experts to manage the funded grants.					
35.	The NGO complies with a conditional availability of funding based on its board of directors members and project employees.					
36.	The NGO adheres to set some standards and caveats for the procurement of projects funded by the USAID.					
37.	The NGO is forced to change its policies in order to get the USAID funding.					
38.	The NGO is forced to reorganize its structure to be able to obtain USAID funding.					
39.	The NGO acceptance of the USAID's Anti-Terrorism Certificate as a base for receiving the Funding					
40.	The NGO accepts funding specific sectors as required by USAID priorities					
41.	The NGO complies to submitting Financial reports on the grants funded by USAID					
42.	The NGO accepts USAID funding to fund project implemented in the West Bank and not in Gaza					
43.	The USAID funding is affected by the change in the system of government in the Gaza Strip					
44.	The Political Situations in Gaza Strip limits the continuity of the USAID funding provided to the NGO					

45 – What is your evaluation for the effectiveness of the USAID funding and how it reflects on the development of the Palestinian community?  
.....

46 - Do you have any suggestions to increase the effectiveness of the USAID funding?  
.....