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### **The Impact of Foreign Aid through NGOs on Economic Development in Gaza Strip (1993-2015)**

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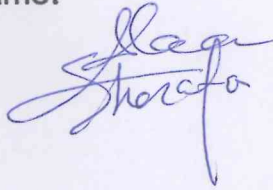
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التوقيع:

التاريخ: 2016 / 4 / 12

**The Islamic University–Gaza**  
**Research and Postgraduate Affairs**  
**Faculty of Commerce**  
**Master of Economic Development**



**الجامعة الإسلامية - غزة**  
**شئون البحث العلمي والدراسات العليا**  
**كلية التجارة**  
**ماجستير اقتصاديات التنمية**

# **The Impact of Foreign Aid through NGOs on Economic Development in Gaza Strip (1993-2015)**

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**Thesis Submitted in Partial Fulfillment of the Requirements for the Degree  
of Master of Economic Development**

**March, 2016**



## نتيجة الحكم على أطروحة ماجستير

بناءً على موافقة شئون البحث العلمي والدراسات العليا بالجامعة الإسلامية بغزة على تشكيل لجنة الحكم على أطروحة الباحث/ علاء علي راغب الشرفا لنيل درجة الماجستير في كلية التجارة/ قسم اقتصاديات التنمية وموضوعها:

أثر التمويل الأجنبي للمؤسسات الأهلية على التنمية الاقتصادية في قطاع غزة (1993 - 2015)  
The Impact of Foreign Aid Through NGOs on Economic Development in  
Gaza Strip (1993 - 2015)

وبعد المناقشة التي تمت اليوم الثلاثاء 06 جمادى الآخر 1437هـ، الموافق 2016/03/15م الساعة الحادية عشرة صباحاً، اجتمعت لجنة الحكم على الأطروحة والمكونة من:

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وبعد المداولة أوصت اللجنة بمنح الباحث درجة الماجستير في كلية التجارة/ قسم اقتصاديات التنمية. واللجنة إذ تمنحه هذه الدرجة فإنها توصيه بتقوى الله ولزوم طاعته وأن يسخر علمه في خدمة دينه ووطنه.

والله ولي التوفيق ،،،

نائب الرئيس لشئون البحث العلمي والدراسات العليا

أ.د. عبدالرؤوف علي المناعمة

## **Abstract**

Despite the fact that Palestinians in the West Bank and Gaza Strip receive one of the highest levels of foreign aids in the world, the poverty, the unemployment level and inequality is increasing. The aim of the study was to assess the impact of foreign aid through NGOs on economic development in Gaza Strip. Also this research set out to answer the following questions, to what extent foreign aid contributed on the economic development in Gaza Strip. The study was undertaken with selected respondents drawn from NGOs who work in the field of development. Both qualitative and quantitative research approach were used. Data were collected by structured questionnaire from a total of one hundred and fifty (150) respondents. The study found that the majority of the respondents perceived foreign aid as political dominance tool rather than promoting economic development.

The study found out that most of the donor aided programs/ projects are imposed by foreign donors to serve their agenda and not relevant to national plans to combat poverty and reducing unemployment and inequality. The foreign aided programs/ projects resources are not efficiently distributed and they are also unproductive, fragmented and uncoordinated to achieve economic development. These donor-aided programs/ projects created dependency culture and a consumption mentality among the beneficiaries. Further, most of the aided programs/ projects focus more on relief than development and most of them were unlikely to be sustained, as they were purely dependent and tagged to the foreign donors rather than the real needs of the poor people and unemployed. Accordingly, the study concluded that to far extent there is no relationship between foreign aids and economic development. Finally, the study recommends among other recommendations that collaborative approach should take place among the foreign donors, NGOs, government and other stakeholders to design the poverty and unemployment alleviation programs based on the real needs of the beneficiaries and in full compliance with the national economic development plans.

**Keywords:** foreign aids, economic development, poverty, unemployment, inequality, relevancy, efficiency, effectiveness, sustainability.

## Abstract in Arabic

على الرغم من أن الفلسطينيين في الضفة الغربية وقطاع غزة يحصلون على واحدة من أعلى مستويات المساعدات الخارجية في العالم، إلا أن الفقر، البطالة وعدم المساواة في تزايد مستمر. تهدف هذه الدراسة إلى تقييم أثر المساعدات الخارجية المقدمة من خلال المنظمات غير الحكومية على التنمية الاقتصادية في قطاع غزة. كما أن هذه الدراسة تجيب على السؤال المحوري التالي: إلى أي مدى تساهم المساعدات الخارجية الأجنبية في تحقيق التنمية الاقتصادية في قطاع غزة. وقد أجريت هذه الدراسة على عينة مختارة من المنظمات غير الحكومية الفلسطينية والمنظمات الدولية غير الحكومية الذين يعملون في مجال التنمية في قطاع غزة. تم استخدام منهج البحث النوعي والكمي وقد استخدم الباحث الاستبانة لجمع البيانات من إجمالي مائة وخمسين (150) من المبحوثين.

خلصت الدراسة إلى العديد من النتائج المهمة وهي أن غالبية المبحوثين ينظرون إلى المساعدات الخارجية كأداة هيمنة سياسية وليست لتعزيز التنمية الاقتصادية، وكذلك معظم برامج ومشاريع الدول المانحة يتم فرضها على المنظمات غير الحكومية لتحقيق أجندتهم الخاصة وليست وفقاً لخطط التنمية الوطنية لمكافحة الفقر والحد من البطالة وعدم المساواة وإن موارد المشاريع لا يتم توزيعها بكفاءة وأن غالبية البرامج والمشاريع غير منتجة، مجزأة وغير منسقة لتحقيق التنمية الاقتصادية المنشودة، كما أن هذه البرامج / المشاريع أدت إلى خلق ثقافة التبعية والاستهلاك بين المستفيدين. أخيراً، إن معظم البرامج / المشاريع المقدمة من الجهات الأجنبية المانحة تولى اهتماماً أكبر على الإغاثة بدلاً من التطوير وأنه من غير المرجح أن تستمر غالبية هذه المشاريع بعد إنتهاء التمويل لأنها تعتمد بشكل كبير على الدول المانحة ولا تعكس الاحتياجات الحقيقية للفقراء والعاطلين عن العمل. وبناءً على ذلك، فقد خلصت الدراسة إلى أنه ليس هناك علاقة بين المساعدات الخارجية للدول المانحة والتنمية الاقتصادية في قطاع غزة.

وأخيراً، توصي الدراسة من بين التوصيات الأخرى إلى إتباع نهج تعاوني بين الجهات المانحة الأجنبية، الحكومة، المنظمات غير الحكومية والجهات المعنية الأخرى لتصميم برامج مكافحة الفقر والبطالة وعدم المساواة على أساس الاحتياجات الحقيقية للمستفيدين وكذلك وفقاً للخطة الوطنية للتنمية الاقتصادية.

## **Dedication**

I would like to take this opportunity to express my sincere gratitude and dedicate this work for my dear wife for her continuous support and distinguished encouragement since the beginning and in finalizing this thesis, for my parents and to my sons and daughters Dalia, Mohammed, Kareem, Deema, Farah, Dalia, Zina and Yousef.

## **Acknowledgements**

First, all praises and glory are due to GOD for all the bounty and support granted to me to complete this research. This work could not been done without God's endless guidance and support. I would like to take this opportunity to sincerely thank all organizations and individuals who have helped me in this effort. Primarily, I would like to thank my supervisor and mentor Prof. Dr. Mohammed Migdad for his unlimited guidance, encouragement, and support. This work would not have come into existence without his valuable advice that inspired this research. My appreciation and thanks also extended to the family of the Faculty of Commerce in the Islamic University of Gaza for their great efforts during my theoretical study. Last, but not least I would like to express my thanks and deep appreciation to my colleague in the work Nuha Bashir who supported me and helped me achieve this work.

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## **List of Abbreviations**

<b>DAC:</b>	Development Assistance Committee
<b>DEEP:</b>	Deprived families Economic Empowerment Program
<b>DFID:</b>	Department for International Development (UK)
<b>EU:</b>	European Union
<b>FAO:</b>	Food Agriculture Organization
<b>GDP:</b>	Gross Domestic Product
<b>GNI:</b>	Gross National Income
<b>ILO:</b>	International Labor Organization
<b>IMF:</b>	International Monetary Fund
<b>INGOs:</b>	International Non-Governmental Organizations
<b>LDCs:</b>	Less Developed Countries
<b>MDGs:</b>	Millennium Development Goals
<b>MOSA:</b>	Ministry of Social Affairs
<b>NGOs:</b>	Non-Governmental Organizations
<b>ODA:</b>	Official Development Assistance
<b>OECD:</b>	Organization for Economic Cooperation and Development
<b>PA:</b>	Palestinian Authority
<b>PCBS:</b>	Palestinian Central Bureau of Statistics

<b>PEGASE:</b>	Palestino-Européen de Gestion de l'Aide Socio-Economique (Palestinian-European Mechanism for the Management of Socio-Economic Aid)
<b>PRDP:</b>	Palestine Reform and Development Plan
<b>SLA:</b>	Sustainability Livelihood Approach
<b>TIM:</b>	Temporary International Mechanism
<b>UN:</b>	United Nations
<b>UNRWA:</b>	United Nations Relief and Works Agency
<b>WB:</b>	World Bank
<b>WFP:</b>	World Food Program



# **Chapter One**

## **Background and Context**

### **1.1 Introduction**

### **1.2 The Study Problem**

### **1.3 The Study Objectives**

### **1.4 The Study Importance**

### **1.5 The Study Variables**

### **1.6 The Study Hypothesis**

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### **1.14 The Study Structure**

## **1.1 Introduction**

Non-Governmental Organizations (NGOs) in Palestine have always played a vital role in the social and economic life in the Palestinian Territories more than in neighboring states and countries with comparable levels of development. One of the primary reasons for this is undoubtedly the prolonged period of occupation experienced by the Palestinian population. Of equal significance was the absence of central governing institutions capable of providing basic services to the population. The NGOs sector currently includes charitable societies, cooperatives, associations, development organizations and some other social interest groups (De Voir and Tartir, 2009).

The responsibility of the NGOs sector in the provision of services as well as in the overall development process has been steadily growing since the onset of the first intifada in 1987. With the establishment of the Palestinian Authority (PA) in 1994, substantial changes occurred in the political and socioeconomic context in which the NGOs had been operating, leading them to revise their strategies and redefine their role. Since then, the relationship between the NGOs sector and the government has been volatile and unstable, and NGOs have had to operate within an ambiguous legal framework which left them vulnerable to political pressure. Nevertheless, NGOs have been performing a much-needed job filling the gaps left by the government's service delivery system (Jarrar, 2005).

After the establishment of the Palestinian Authority (PA) and the emergence of an infant form of central administration, the role of NGOs did not diminish. Indeed, the number of NGOs has actually increased from approximately 930 in the year 2000 to about 1,500 in 2007. It is clear, therefore, that the development of a centralized Palestinian administrative structure has not negated or even reduced the need for the services supplied by civil associations. Another reason for this persistence is that a considerable portion of the international aid to the Palestinian Territories is channeled through these civil society institutions. The estimate suggests that, at present, about 10 per cent of international aid to the Palestinian Territories is channeled through the NGOs sector (De Voir and Tartir, 2009). The crucial role of the NGOs became

particularly evident in recent times - since the second intifada in September of 2000 - especially with regard to the emergency and relief work they have been carrying out.

The focus and attention in this research are given to the foreign aid to the NGOs since the aid to this sector form significant part of the total aids given to the PA. Also, foreign aid are very important for the take-off stage of economic development provided that such aid to be well utilized to sustainably raise the economic welfare of the poor and vulnerable people and to improve their standards of living. Thus, foreign aided programs/ projects through NGOs should be properly oriented to pursue reduction in poverty, unemployment and inequality through effective collaborative mechanism among the foreign donors, NGOs, the government and all other stakeholders to guarantee efficient distribution of resources and hence increased “value for money” for both Palestinian community and foreign donors alike.

## **1.2 The Study Problem**

The role and effects of foreign aid in the economic development have been and are controversial issues, which resulted in the emergence of three different perspectives. Some researchers found that NGOs have played an important role in providing a wide range of services for Palestinians in many areas of civil life. These services include: education, health, human rights, women, children, elderly, agriculture, research, vocational and professional training, general development and relief services. Also, they found there is a positive relationship between foreign aid and economic development. On the other hand, some researchers found that foreign aid creates a dependency relationship between NGOs and foreign donors. The problem of such dependency is embedded on the fact that the programs/ projects are tailored to suit the donors' agenda rather than reflecting the real needs and development priorities of the Palestinian Community. Moreover, the dependency relationship makes NGOs to lose its independency of their decision-making and therefore weakens their ability to optimize the benefits from the foreign aid. They also argue that foreign aid is more commonly used for relief works and consumption rather than in investment and productive projects to achieve genuine economic development and its impact ended with the project completion. While a third perspective argues that foreign aid causes the economic

development work or not work refer to certain factors as well as NGOs certain factors and circumstances. Accordingly, the problem of this study could be formulated through the following question and this question will be the major focus of this study: To what extent foreign aid to the NGOs contribute in achieving the economic development in Gaza Strip?

### **1.3 The Study Objectives**

The study seeks to:

- Identify the role of the foreign aids provided to both PA and NGOs and its contribution in achieving the economic development.
- Identify economic development concepts, indicators, mechanisms and also the challenges and problems that have contribute or affect on achieving the real economic development.
- To examine the relevancy, efficiency, effectiveness, impact and sustainability of foreign aids on the Gaza Strip economic development.
- Establish strategies, draw key conclusion and recommendations for both foreign donors and NGOs on what can be done to make foreign aid more effective in bringing economic development.

### **1.4 The Study Importance**

It is envisaged that this study will tend to benefit a cluster of beneficiaries; among them are the NGOs, policy makers, donors and researchers. The research will provide all of these beneficiaries and others who are interested in civil society issues with results and recommendations that hopefully will contribute in improving the level of economic development in Gaza Strip.

The NGOs in Gaza Strip are the intended primary beneficiaries of the findings of this study. It is hoped that the findings will help NGOs to design their projects and programs within the broader picture of economic development in Palestine. Also this study will serve as guidance to the employees who work in the funding organizations to help them to appraise the projects and to improve their decisions-making in selecting

projects that achieve the optimum economic development benefits. The study will also provide economic approaches that International Non-Governmental Organizations (INGOs) should consider while targeting economic development.

The results and recommendations of this study will be made available to help Palestinian Government and Palestinian decision-makers to formulate and design strategies for its national economic development and to use the foreign aid in implementing such strategies and to avoid dependency. Furthermore, the study will serve as a reference guide for researchers who are interested in the subject of NGOs and economic development in the light of the scarcity of the resources in this field. The study shall also motivate and stimulate other researchers hence they will have the intellectual vigor to continuously advance further studies into this controversial area.

## **1.5 The Study Variables**

This study consists of three sets of variables which are: independent variables, intervening variables as well as the dependent variables.

**1.5.1 The independent variable:** Is the foreign aided programs/ projects.

**1.5.2 The intervening variable:** Commonly used evaluation criteria which are: relevancy, efficiency, effectiveness, impact and sustainability.

**1.5.3 The dependent variable:** Is the economic development and its indicators will be limited to reducing poverty, unemployment and inequality.

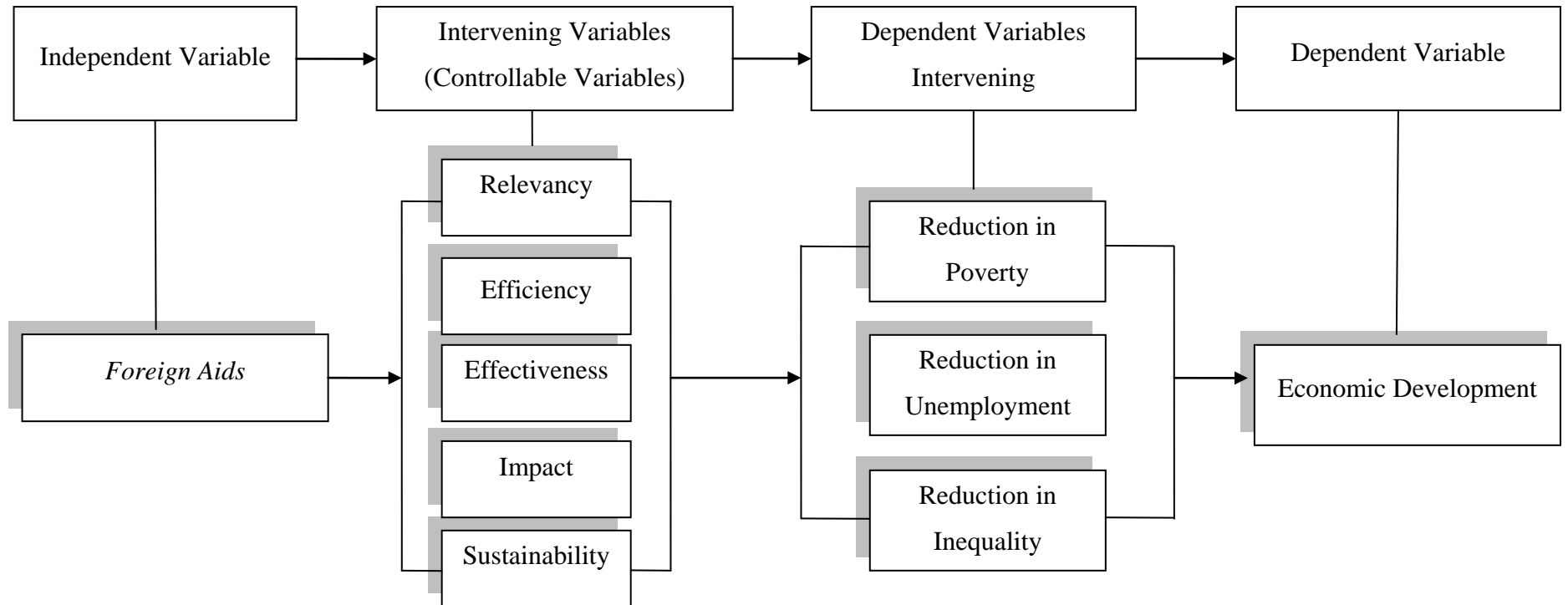
## **1.6 The Study Hypothesis**

In order to answer the research main question, the researcher set out the following main hypothesis to be tested which is: There is a significant statistical relationship between the foreign aids offered by the foreign donors through the NGOs and the economic development. This relation linked via the intervening variables (controllable variables) which are relevancy, efficiency, effectiveness, impact and sustainability. The explanation of the relationship among the three variables is shown in figure 1.1.

This main hypothesis will be tested through testing five sub-hypothesis that examine the relationship between the intervening variables (evaluation criteria) and the dependent variable (economic development) as follows:

- There is a significant statistical relationship between the relevancy of the foreign aided programs/ projects and the economic development.
- There is a significant statistical relationship between the efficiency of the foreign funded aided programs/ projects and economic development.
- There is a significant statistical relationship between the effectiveness of the foreign funded projects/ programs and economic development.
- There is significant statistical relationship between the impact of the foreign aided programs/ projects and economic development.
- There is significant statistical relationship between the sustainability of the foreign aided programs/ projects and economic development.

**Figure (1.1) : Conceptual Framework Illustrate the Relation between Independent and Dependent Variables.**



**Source:** Developed by the Researcher, 2016.

The above conceptual framework illustrates dependent, independent and the intervening variables in this research. The economic development is the dependent variable and the independent variable is donor aided programs/ projects. Therefore, the interpretation is that improvement in the economic development depends on the availability of foreign funds or donor aided projects. However, this also depends on a number of other intervening variables, namely; *relevancy, efficiency, effectiveness, impact and sustainability* of donor aided programs/ projects. Also the improvement in the economic development depends on the reduction of poverty, unemployment and inequality.

### **1.7 The Study Methodology**

The descriptive and analytical approach will be used in this research. This approach provides description and interpretation of the facts based on the availability of the information. Also, this approach is a method of analysis based on sufficient information about the phenomena or a specific topic within a specific period of time and in our study the subject is the impact of foreign aid to the NGOs on economic development. The descriptive and analytical approach depends on explaining the existing situation and determining the relationships between the variables. Descriptive approach is not only collection of descriptive data about a phenomenon but also includes the analysis and interpretation, classification measurement and drawing conclusions from these data.

### **1.8 The Study Population**

The study population consists of the NGOs that implemented projects related to the economic development in Gaza Strip.

### **1.9 The Study Sample**

Random sample was selected from the managers and employees who work in the NGOs in Gaza Strip. The researcher distributed 165 questionnaires either by hand or e-mail. The received questionnaire was 150 questionnaires so that the response rate for the questionnaire survey was 91%.



## 1.10 The study Key Terms

The following terms shall be understood the way they are defined herein:

**Economic Development:** The term in this thesis is defined and understood based on the questions asked by Dudley Seers," the questions to ask about a country's development are: what has been happening to poverty? What has been happening to unemployment? what has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled" (Cited from Todaro and Smith, 2012).

**Evaluation Criteria:** Most of the basic evaluations criteria and concepts are universally accepted and used by all the organizations within the donors' community. They are based on the Organization of Economic Cooperation and Development/ Development Assistance Committee (OECD)/ (DAC) criteria for evaluation, and address five major sets of issues as follows (OECD, 2000):

**Relevancy:** The extent to which the objectives of an intervention are consistent with recipients' requirements, country needs global priorities and partners' policies.

**Effectiveness:** The extent to which the intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

**Efficiency:** A measure of how economically resources/inputs (funds, expertise, time, equipment, etc.) are converted into results.

**Impact:** Positive and negative primary and secondary long-term effects produced by the intervention, whether directly or indirectly, intended or unintended.

**Sustainability:** The continuation of benefits from the intervention after major development assistance has ceased. Interventions must be both environmentally and financially sustainable. Where the emphasis is not on external assistance, sustainability

can be defined as the ability of key stakeholders to sustain intervention benefits – after the cessation of donor funding – with efforts that use locally available resources.

### **1.11 Previous Studies**

There are many studies conducted on evaluating the role and effectiveness of foreign funding in developing countries. However, it appears that there is no study uses the OECD evaluation criteria to study the impact of the foreign aid in economic development in Gaza Strip. Therefore, from all the following previous studies we can get the following benefits:

#### **1.0-(Abu Ajwa, 2011), "Effect of International Aid in Achieving Economic Development in the Palestinian Territories".**

The study aimed to identify the impact of international aid in promoting economic development and identify the Palestinian priorities in economic development. For the purpose of this study, the researcher adopted quantitative descriptive analytical method. Also, the study shed the light on the international aid to PA and theoretical economic theories. The main findings of the study are that: there is a positive relationship between the international aid and Gross National Product(GDP) per capita; the infrastructure sector aid did not affect the economic development on GDP per capita, there is positive relationship between the aid and the production and economic development via GDP per capita. The researcher recommended the PA has to set national development plans and priorities that cover the development sectors, PA should coordinate with NGOs to plan and implement real development projects in order to create job opportunities and reduce the poverty level, NGOs should focus on the developmental projects which have developmental impact rather than those projects of relief type. On the other hand, the researcher recommended that donors should provide their aid according to the Palestinian development needs not according to their policies and also donors should exercise more pressure on the Israeli side to protect the achievements of the international aid from destruction.

## **2.0- (De Voir and Tartir, 2009), Tracking External Donor Funding to Palestinian Non-Governmental Organizations in the West Bank and Gaza strip 1999 -2008.**

The research aimed to track and document external donor funding to Palestinian Non-Governmental Organizations (PNGOs) in the West Bank and Gaza Strip over the last 10 years (1999-2008) by surveying both sides of the equation: PNGOs and external donors. The research provided data on funding patterns focusing on the amount of aid, as well as the geography, sector and target of its distribution over time. The study pointed out that in 2008, PNGOs received over a quarter of a billion US dollars to meet their objectives. Yet, until now, there is only a limited knowledge of what was happening with this money and why. According to the study findings, the amount and the type of external aid entering the West Bank and Gaza Strip varied according to political conditions. During times of political upheaval, the destination of external aid usually moves away from development or the PA towards emergency relief programs, as well as a shift in the conduits of external aid, away from bilateral donors and towards multilateral agencies.

Amongst donor groupings, it is clear that Europe, both as an institution and as individual states, is by far the largest donor to both the PA and the NGOs sector, providing nearly 70% of the total funding to the latter. Aid from the Arab countries to Palestine has decreased steadily in comparison to Western donors and primarily contributed to the Palestinian Authority's budget. Unlike European and American aid to Palestine and PNGOs, during times of Political crisis the amount and impact of Arab aid increases.

According to the findings, external aid is critical to both the health of the PA and NGO sectors. According to MAS's estimates, external aid comprises over 60% of the Gross National Income(GNI) of the West Bank and Gaza Strip. For NGOs, the dependency is even more pronounced with around 78% of NGO revenues come from external aid. The increase in aid dependence has occurred alongside a decrease in PNGO funding from the local community in the West Bank and Gaza Strip.

The primary conclusion of the study analysis of externally funded PNGO activities by sector was the seemingly clear correlation between political realities and the sectors receiving external aid.

### **3.0- (Qita, 2009),"The Effect of USAID Funding in Developing the Palestinian Community- From Palestinian Non-governmental Organizations perspective Case Study: Gaza Strip".**

The study explored the effect of USAID funding on developing the Palestinian Community. For the purpose of this study, the researcher adopted quantitative descriptive analytical. The study concluded 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. Furthermore, the study found that USAID funding to NGOs were not able to develop the Palestinian economy, to generate sustainable employment opportunities or to reduce the economy's vulnerability 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 PNGOs and to USAID in order to bring the comprehensive concept of USAID effect on developing the Palestinian Community: 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. 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.

**4.0- (Abu Nahla, 2008), "Role of Palestinian NGOs in Utilizing the International Fund to Promote Entrepreneurs and Create sustainable Job Opportunities, Case Study: Gaza Strip".**

The study investigated the role of the PNGOs that played in utilizing the international fund in supporting the entrepreneurs and create sustainable jobs. For the purpose of this study, the researcher used structured questionnaire, focus groups and interviewing to collect the data. The researcher recommended that PA 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 others. 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.

**5.0- (Ngang, 2008), "The Impact of Foreign Aid on Economic Growth and Economic Development in Cameroon".**

The study examined 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. The study explored 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 showed that foreign aid significantly contributes to the current level of economic growth but has no significant contribution to economic development. In addition, the researcher concluded that the impact may be significant depending on the country understudy, type of aid, the objective of the donor country and the implementation policy of the recipient country. In Cameroon, foreign aid leads to economic growth but the growth is not translated to economic development because of bad governance and corruption.

## **6.0- (Kabete, 2008), "Foreign Aid and Economic Growth: The Case of Tanzania"**

The study aimed at analyzing the impact of foreign aid on economic growth in Tanzania and analyzing the impact of government's expenditures of foreign aid resources on Gross Domestic Product (GDP) growth. The researcher interested in the analysis of this relationship because the country receives a considerable amount of foreign aid but still experiences very low economic growth and high poverty levels. The researcher used both, simple regression analysis and the descriptive statistics to analyze the impact of foreign aid on economic growth (assessed in terms of GDP growth).

The main findings are that foreign aid and total debt service have a negative impact on GDP growth for the case of Tanzania. On the other hand, export growth and net national savings have shown a positive impact on GDP growth as it was expected because they increase the country's capacity to invest. Both government's development and recurrent expenditures of foreign aid resources have shown a negative impact on GDP growth. This implies that the development expenditures undertaken were not enough or not productive enough to impact on GDP growth positively. The overall aid and aid for development expenditures have shown to have more negative impact in the 1990s than in the early 2000s.

The study recommended the following: 1) increasing export growth and export diversification as the study showed that export growth has a positive and significant impact on GDP growth. Increased revenues from exports will enable the country to undertake new investments and to reduce its dependence on foreign aid resources. 2) Increasing national savings in order to accumulate enough resources for investments. 3) The government needs to make a proper scrutiny on the types of its investments so as to make development expenditures more productive and be able to contribute positively to economic growth 4) since the study showed that aid in aggregate has a negative impact on GDP growth, there is a need to address the weaknesses which have hindered aid effectiveness in contributing to growth. Some of these weaknesses included aid fungibility, the Dutch disease effect, aid tying, corruption and policy conditionality imposed by donors. The researcher finally recommended that donor community and Tanzanian government need to work in partnership in addressing these weaknesses in

order to make aid achieve its intended objectives of increasing economic growth and reducing poverty.

#### **7.0- (MAS, 2007), "Mapping Palestinian Non-Governmental Organizations in the West Bank and the Gaza Strip"**

This study provided preliminary analysis about the number of the NGOs on Gaza Strip and West Bank, their geographical and categorical distribution, their capabilities and needs. The study also provides information about the restrictions imposed on PNGOs which limit their efficiency and ability to deliver services and run their programs. These restrictions are from the donors, Israeli occupation, from local society and from the PA. The study aimed at monitoring the changes in the PNGO community and updating the database available since 2000. The study documented the changes in the programs and activities of PNGOs, mapped out the main area of activity and the extent of operations of PNGOs and also defined the restrictions imposed on PNGOs by various forces. The study also revealed the sustained significance of PNGOs despite the changing political environment, harsh economic conditions and political instability and despite their shortfalls, there is no doubt that they are resilient and will survive the current crisis, while continuing to play an important role in relieving, alleviating and challenging the effects of the Israeli military occupation. The study also stressed that PNGOS will continue to contribute to the general development of Palestinian society. Finally, the study recommended that for the necessity of improvement in the operations of PNGOs and such improvement should be done within the framework of the specific Palestinian political situation and the context of national policies and measures.

#### **8.0- (Othman, 2005), "Proposed Evaluation Approach for Evaluating Externally Funded Infrastructure Projects in Palestine"**

The study provided an assessment to four evaluation approaches adopted by four main international donors to the Palestinian Authority. These donors are the European Commission, United Nations Development Program, World Bank and United States Agency for International Development. The assessment proved that these approaches are inadequate to evaluate the infrastructure projects implemented on Palestine.

Therefore, this study aimed at developing a new evaluation approach to overcome the shortcomings in the mentioned four approaches and to be utilized for evaluating externally funded infrastructure projects that is suitable for use in developing countries, especially Palestine. The developed approach consists of three phases: preparation for an evaluation, planning and management and evaluation and finally communication findings and utilizing results. The new 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.

#### **9.0- (MAS, 2005), "Towards a more effective use of International Aid to the Palestinian People".**

The study focused on the international aid provided to the Palestinian people and is divided into three main sections. First, the study presents a comprehensive profile of the international aid directed to the Palestinians since the signing of the Oslo Accords in 1993. This profile discussed the main qualitative and quantitative characteristics of these aid flows, including their sources, forms, recipients and sectors targeted. The second section assesses the extent to which the Palestinians (government agencies, the private sector and NGOs) have managed to successfully utilize this assistance to serve national interests. Finally, the study provided some recommendations to help in enhancing the efficiency and effectiveness of the use of international aid.

The study concluded that the effectiveness and impact of international assistance did not fully meet Palestinian aspirations and expectations. Although international aid 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.



International aid was not able to develop the Palestinian economy, to generate sustainable employment opportunities or to reduce the economy's vulnerability and dependence on external factors. Furthermore, the assistance did not succeed in reducing Palestinian dependency on a second external factor – the assistance itself. Perhaps the best example of that is the continued reliance of the PA's national budget on external assistance to fund its development expenditures. In addition, the reliance of donors on foreign consultants and their considerably higher wages and larger benefits distorted the local market, while also consuming a substantial part of the aid. Finally, weak coordination between Palestinian recipient institutions allowed donor agencies to channel the assistance according to their own agendas and priorities.

The study provided a number of recommendations seeking to promote a more efficient use of foreign assistance, to help find strategies to tackle current and future challenges revive the Palestinian economy and start the process of long term, sustainable development. The most important of these recommendations are: better coordination is needed between Palestinian recipient institutions and donor agencies, and among these two groups themselves, The PA should plan and design projects balancing between short-term emergency and long-term development needs, 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, the PA should pay more attention to the Palestinian informal sector and its needs and devise lending strategies for small-scale projects in general and finally the PA should finalize and implement its national reform plan, in order to coordinate reform efforts instead of sporadically implementing individual measures.

#### **10.0- (MAS, 2005), "Towards a Palestinian Development Vision".**

The study shed the light on the shortcomings of the PA in the period after its establishment. Among the shortcoming was the weak performance in the economic development field, which negatively affected its struggle for liberation and independence. Also The Palestinian development process during this period was characterized by lack of focus and no consistency in its economic and social development strategies and policies. The Palestinians therefore failed to achieve their

main development objectives, such as removing the economic and social structural distortions accumulated over the years of occupation, decreasing dependency on the Israeli economy, improving Palestinian-Arab economic relations, and creating a development environment conducive to building a modern and sustainable economy.

The study aimed to present a vision for the future of the economic and social development in Palestine. To do that, the study analyzed the external and internal Palestinian development environment, presenting the internal strengths and weaknesses of the Palestinian economy along with external opportunities and threats. Based on the SWOT analysis, it has been found that human resources were identified as the single most important asset to the Palestinian economy. The future strategy for economic development in the West Bank and Gaza Strip should therefore focus on promoting knowledge-intensive sectors and activities.

The study described the strategic goals of Palestinian development, and outlined the appropriate strategies to achieve these goals in the medium and long term. The study concluded that the main force to drive development in Palestine is social and human capital. It also recommended more investment in education in all levels as a way for building and enhancing Palestinian competitiveness.

### **1.12 Summary of the Previous Studies**

Many of the past foreign aid effectiveness literature have focused on studying the impact of foreign aid on economic growth and economic development. Some of the studies show that there is a positive relationship between foreign aid and economic growth, other studies show there is a negative relationship whereas other studies found that the impact may be significant depending on the country under study, type of aid, the objective of the donor country and the implementation policy of the recipient country. The studies also presented and discussed the main qualitative and quantitative characteristics of the foreign aid, including their sources, forms, recipients and sectors targeted, provide preliminary analysis about the number of the NGOs on Gaza Strip and West Bank, their geographical and categorical distribution, their capabilities and needs. Also, the studies shed the light on the restrictions either internally or externally imposed

on the NGOs that limit their efficiency and ability to deliver the services and in turn prevent them to achieve the required economic development. The studies provided some recommendations to help in improving the efficiency and effectiveness of the use of international aid. The studies recommended that PA has to set national development plans and priorities that cover the development sectors and donors should provide their aid according to this plan, PA should coordinate with NGOs and to plan and implement real development projects in order to create job opportunities and reduce the poverty level, PNGOs should also focus on the developmental projects which have developmental impact rather than those projects of relief type.

### **1.13 This Study Contribution**

The role of foreign aid in promoting economic development has been and still the subject of much debate among development specialists, researchers, aid donors as well as recipients in general and Palestine in particular. In spite of this, there are only few studies that investigate the contributions of foreign aid to economic development in Palestine. This study focuses on the impact of foreign aids through the NGOs on the Gaza Strip economic development with respect to reducing poverty, unemployment and inequality using the five common criteria of evaluation which are relevancy, efficiency, effectiveness, impact and sustainability. The findings of this study established that to far extent, there no relation between foreign aids and economic development. Findings indicate that the allocation of foreign aids to Gaza Strip has been broadly inconsistent with strategies to effectively reduce poverty, unemployment and inequality. Further, it was established that the foreign has no instrumental role in the promotion of sustainable economic development. The results of the study comprehensively affirmed this. However, this thesis suggests a number of ways in which the use of foreign aids can more effectively achieve its important goals.

### **1.14 The Study Structure**

This study is structured into seven main chapters. The first one provides the background and context including: introduction to the study, the problem statement, objectives and the conceptual framework of the study. Chapter two, three and fourth

presents a detailed review of related literature: theoretical studies on foreign aid and economic development, foreign aid to the PNA and PNGO and its impact on the economic development of Gaza Strip and also economic development and economic development with main focus on poverty, unemployment and inequality. The fifth chapter describes the methodology: the research design and instruments of data collection used in the collection of data. The findings of the research are then described and analyzed in chapter six. Chapter seven provides a summary of findings as well as recommendations of the study.

## **Chapter Two**

### **Theoretical Studies on the Foreign Aid and Economic Development**

#### **2.1 Introduction**

#### **2.2 Definition of Foreign Aid**

#### **2.3 Brief History of Foreign Aid**

#### **2.4 Forms of Foreign Aid**

#### **2.5 Categories of Foreign Aid**

#### **2.6 Effects of Tying Aid on Recipient Countries**

#### **2.7 Effect of Foreign Aid on Economic Development**

#### **2.8 Theories of Foreign Aid and Economic Growth**

#### **2.9 Chapter Summary**

## **2.1 Introduction**

This chapter starts by defining foreign aid, provides brief history of the foreign aid and types of aid. The chapter presents a review of the literature on foreign aids and its relation to economic growth where by some of the theoretical and empirical debates are presented and discussed. Some studies show a negative impact of foreign aid on economic growth; others observe a positive impact while other studies found that the foreign aids work effectively or ineffectively depend on the donor motives behind the foreign aids as well as on the recipient countries specific factors. For example, foreign aids work effectively in the presence of good and suitable environment in the recipient countries. The chapter also presents three major theoretical and empirical models that are commonly used to justify the importance of foreign aid to the recipient countries: the two-gap model, Harrod-Domar model and poverty model. In the two-gap model for example foreign aid is viewed as important to fill the saving gap and the trade gap in developing countries, increasing their investment capacity and thus growth.

## **2.2 Definition of Foreign Aid**

The term “foreign aid” is used interchangeably with “aid,” “foreign assistance,” “economic assistance,” “economic aid,” “development aid,” “development assistance,” “development cooperation,” or “economic cooperation” and so on (OECD, 1999). Foreign aid can be defined as the international transfer of public funds in the form of loans or grants either directly from one government to another (bilateral assistance) or indirectly through the vehicle of a multilateral assistance agency such as the World Bank (Todaro and Smith, 2012). Foreign aid consists of all resources: physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) transferred by donors to recipients (Riddell 2007). Foreign aid refers to transfer of real resources from governments or public institutions of the richer countries to governments of less developed countries (LDCs) in the third world. Foreign capital flows are generally divided into two broad streams – official and private. The official capital flows are in turn subdivided into bilateral and multilateral flows. Official bilateral flows consist of capital provided by government of donor to government of recipient countries. Multilateral flows consist of capital flows from multilateral organizations

such as the World Bank (WB), the United Nations (UN), and the International Monetary Fund(IMF). Both types of the official flow can take the form of grants, loans or grant-like contributions (Yavuz, 2011).

The mostly agreed definition of aid is presented by the Development Assistance Committee (DAC) of Organization for Economic Cooperation and Development (OECD). DAC defines Official Development Assistance (ODA) as: Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10percent rate of discount. (As cited in Totakhail, 2011). Based on DAC definition, aid qualifies as ODA based on three criteria: it has to be undertaken by official agencies; it has to have the promotion of economic development and welfare as its main objectives and it has to have a grant element of 25% or more.

### **2.3 Brief History of Foreign Aid**

Military assistance was considered as the earliest form of the foreign aid. It happens in the nineteenth and twentieth century, when the powerful countries of Europe gave enormous sum of money to their colonies. It was mainly provided to improve infrastructure with the ultimate goal of increasing the colony's economic output (Williams, 2011).

Though after the World War-II period, the international relations were dominated by the East and West relations, it realized that the more importance had been taken by the economic relations of North and South; “especially with the changes in the international economy which took place in the early seventies (collapse of the Bretton Woods agreements, the creation of OPEC and the increase of oil prices, etc.)” (Imbeau, 1989).

Today, the structure and scope of foreign aid can be traced to two major developments following World War II. First, the implementation of the Marshall Plan, a U.S. sponsored package to rehabilitate the economies of 17 western and southern European countries and second the founding of significant international organizations,

including the United Nations (UN), International Monetary Fund (IMF), and World Bank (WB). These international organizations have played a major role in allocating international funds, determining the qualifications for the receipt of aid, and assessing the impact of foreign aid(Williams, 2011).The IMF was founded for the aim of promoting the international monetary stability, while the WB was established as an instrument for raising capital for Japan's and Europe's reconstruction. "Aid was viewed as a way of supporting 'developing' country economies to industrialize, attracting large scale investments of capital and technical expertise that would lead to western style industrial development" (Aid Watch, 2008).

During the Cold War, the United States and Soviet Union and their allies used foreign aid as a diplomatic tool to foster political alliances and strategic advantages; it was withheld to punish states that seemed too close to the other side. Since the end of the Cold War, the United States has furnished foreign aid as part of peacemaking or peacekeeping initiatives in the Balkans, Northern Ireland, and parts of Africa. In the post-Cold War era, when funding anticommunist governments became less important criteria for the United States and its allies, promoting democracy was elevated as a criterion in foreign aid programs. Aid was provided to some countries as an incentive for initiating democratic reforms and was withheld from others as a punishment for resisting such reforms. Since the 1990s many foreign aid sources, notably the IMF, have made aid conditional on market-oriented economic reforms, such as lowering trade barriers and privatization. Thus, foreign aid has been used as a tool by some institutions and countries to encourage the spread of capitalism(Williams, 2011).

The eight Millennium Development Goals (MDGs)<sup>(1)</sup> were adopted by the international community in the year 2000. This was "partly as a response to the failure

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1- The Millennium Declaration 2000, in which the world 189 member countries unanimously agreed to help the poor countries of the world to achieve a better life by the end of year 2015. In this Millennium Declaration, it was decided by the world leaders to design a framework for progress comprising eight Millennium Development Goals (Source: Usman, 2009 ):

1. Eradication of extreme poverty and hunger
2. Achievement of universal primary education
3. Promotion of gender equality and empowerment of women,
4. Reduction of child mortality
5. Improvement in maternal health
6. Combating HIV/AIDS, malaria and other diseases,



of explicitly growth-focused aid in alleviating poverty, governments come together to form an international action plan to increase the amount of aid by 2015 to 0.7% of GNI and to target poverty reduction in eight areas” (Aid Watch, 2011). The development cooperation has since continued to change and acknowledged as one of the key factors in advancing life standards in developing world, and global development. “But success has not always been evident: lacks of co-ordination, overly ambitious targets, unrealistic time- and budget constraints and political self-interest have too often prevented aid from being as effective as desired”. Therefore, over 100 countries of the developed and developing countries together found out why the aid was not generate the development results that they wanted to achieve the MDGs. Therefore, they outlined principles and guidelines for maximizing the impact of aid and to provide more better and effective aid. These guidelines and “principles are rooted in continuous efforts to improve the delivery of aid, marked by three notable events: the High Level Forum on Aid Effectiveness in Rome, Paris and Accra in 2003, 2005 and 2008, respectively” (OECD, 2011).

Today ODA is one of key instruments in supporting developing countries. Every year over hundred billions of dollars are provided by developed countries to developing countries with aim to reduce poverty and to improve ill economies. However a majority of world population still lives in extreme poverty. In the last couple of years, there seems to be a historical boost in the amount of development aid. According to OECD around US\$ 119 billion ODA was provided only in 2008, USD 119.6 billion in 2009, and USD 128 billion in 2010, which shows an increase of 6.5 % over 2009.

Development aid rose by 6.1% in real terms in 2013 to reach the highest level ever recorded, despite continued pressure on budgets in OECD countries since the global economic crisis. Donors provided a total of USD 134.8 billion in net official development assistance (ODA), marking a rebound after two years of falling volumes, as a number of governments stepped up their spending on foreign aid. The largest donors by volume in 2013 were the United States, the United Kingdom, Germany, Japan and France. Denmark, Luxembourg, Norway and Sweden continued to exceed

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7. Ensuring environmental sustainability and  
8. Develop a global partnership for development

the 0.7% ODA/GNI target. The US remained the largest donor by volume with net ODA flows of USD 31.5 billion, an increase of 1.3% in real terms from 2012 (OECD, 2014).

## **2.4 Forms of Foreign Aid**

There are four main forms of development aid which include project aid, financial program aid, technical assistance, food aid and humanitarian aid or emergence relief (Riddell, 2007). However, White identified three major forms of aid which include project aid, program aid (including food aid) and technical assistance (White, 1998). The following subsections briefly discuss these forms of aid.

### **2.4.1 Project Aid**

Project aid is dominated by funds channeled to interventions in sectors such as health, education, rural development including agriculture, transport and power, housing, and water supply and sanitation. However, small amounts of project aid are channeled to industrial, mining, trade and cultural projects (Riddell 2007). Many ODA funded development projects aim at achieving specific outputs by providing resources, skills and systems which the recipient country needs. Project aid is one of the most publicly known methods of delivering foreign aid. Donors here take a direct part in both the design and implementation of the project. A project can involve donation of materials, transfer of knowledge and know-how, personnel on-site or all of the above. But the donors decide what is to be done, how and where (Jelovac & Vandeninden, 2008).

### **2.4.2 Program Aid**

The program aid is divided into two forms, the balance of payments (BOP) support and the budget support. Under the budget support, aid funds are provided to boost aggregate revenue and increase overall spending. Aid funds channeled to ministries of finance are termed as General Budget Support (GBS) while those channeled to particular sectors are termed as Sector Budget Support (SBS). Under the GBS, donors provide funds for implementation of development and poverty alleviating

strategies paying attention to the capacity of the recipient governments to use funds efficiently (Kabete, 2008).

### **2.4.3 Technical Assistance**

Technical Assistance (TA) includes the provision of skills, knowledge know-how and advice. For many decades, TA has also been provided in form of teaching staff mainly in primary and secondary education in developing countries. Furthermore, more specialized trainers have continually performed skills training functions to meet their needs and to achieve their immediate objectives. Despite this positive impact of TA, there have been several problems associated with it. Some of these problems include high costs of providing the TA (especially the consultancy costs (Riddle, 2007)).

### **2.4.4 Humanitarian Aid or Emergency Aid**

The definition of humanitarian aid is defined according to its purpose, that is, “to save lives, alleviate suffering and enable those suffering to maintain (or retain) their human dignity during and in the aftermath of natural disasters and man-made crisis”. Humanitarian aid has been successful in most cases in achieving its tangible outcomes such as saving lives, providing food to the hungry; healthcare and medicines to those vulnerable to acute disease in emergencies; and water, sanitation and shelter to those whose homes have been destroyed. However, the sustained internal conflicts in war prone areas reduce resources to meet development objectives as more resources are directed to meet humanitarian needs (Kabete, 2008).

### **2.4.5 Food Aid**

Food aid comprises of program food aid and humanitarian food aid. Program food aid may relieve the foreign exchange constraint to the import of the necessary intermediate inputs or by providing fiscal resources through counterpart funds generated by the local sale of program food aid (Barret, 1998). These resources can be used by the recipient country to invest in agricultural research and extension and improvement of rural infrastructure in particular. However, program food aid may have Dutch disease

effects on domestic food producers and thus hurting the food sector's competitiveness in the world markets.

## **2.5 Categories of Foreign Aid**

As per the OECD/ DAC's definition, there are three categories of tying status (as cited in Ryden, 2011):

### **2.5.1 Untied aid:**

“Loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries.

### **2.5.2 Partially untied tied:**

Loans and grants which are tied, contractually or in effect, to procurement of goods and services from a restricted number of countries which must include substantially all developing countries and can include the donor country.

### **2.5.3 Tied aid:**

All other loans and grants are classified as tied aid, whether they are tied formally or through informal arrangements.

In short, this means that untied aid allows purchases of goods and services from all countries, partially untied aid from at least all developing countries, while tied aid is limited to a group of countries that do not include all developing countries. Tying can be both formal, i.e. caused by restrictions written into contracts or informal when the aid is formally untied but still tied in practice.

## **2.6 Effects of Tying Aid on Recipient Countries**

Tied aid is aid in which goods and services must be provided directly by the donor country or a limited group of countries. This includes when products must be produced in the donor country and shipped to the recipient, such as tied food aid, or when only firms from donor countries are hired to undertake aid projects, like in tied

construction projects. Tied aid can be seen as a geographical limitation on how aid money is used, a conditionality that excludes whole countries as potential providers of aid-related goods and services. Generally, donors tie aid to firms in their own country. The motives can be economical, based on the belief that tied aid creates jobs and increases exports in the donor country, thus benefiting both the donor and the recipient, possibly an argument to increase total aid spending. Jempa (1991) explained that there are direct and indirect costs associated with the tied aid. The direct costs represented by limiting the ability of the recipient country via optimal procurement practices and related policies to promote competition among suppliers. Studies of the situation in 1960s and 1970s have shown that tying reduced the real value of the aid in relation to its nominal value by 15 percent whereas recent studies indicated that the reduced real value is 20 per cent.

The indirect cost represented by that the goods and services are of low priority to the recipient, excessively capital-intensive, highly dependent on western technologies and imported-oriented. Jempa further added that donors often tend to provide insufficient financing of the local-cost component, transferring part of the bills, as well as the risks in case of unexpected adverse effects to the local government while also sometimes obliging the later to revise its priorities. In consistent with Jempa findings, some critics argue that tied aid is an inefficient aid channel that reduces value for the recipient because of overpricing of goods and services that could be bought much cheaper in developing countries, that it does not strengthen recipient markets or provide opportunities for their own workers and firms to develop, and that tied aid projects might not reflect local priorities or provide a sense of ownership of the final product (Ryden, 2011). Finally, tying practices may also have an impact on recipients' behavior or attitude towards aid, often characterized as a 'lack of ownership', which is outside the formal economic calculations. Recipients learn to request aid that tying often renders recipients as passive actors in the development process with the standard example of machinery inappropriately provided by donors lying broken while recipients are left waiting for spare parts or technical assistance (Hendra, 1987).

## **2.7 Effect of Foreign Aid on Economic Development**

The economic objectives of foreign aid are to induce high growth rates in LDC's which in turn will generate additional domestic savings and investment. However, there is much dispute as to whether development assistance to LDC's has been successful in achieving these objectives. There have been numerous attempts to investigate the effects of foreign capital in terms of direct foreign investment, foreign aid and other foreign inflows on developing countries, their results have been conflicting. The role and effects of foreign aid in the economic development of developing countries have been and are controversial issues. Some economic studies of foreign aid suggest that it is successful, as the other studies find no relationship between foreign aid and growth rate of output and suggest that it also retards economic growth in developing countries by leading to the structural distortions of the economy. Some researchers qualify that aid can either be effective or ineffective depending on certain donor conditions and country circumstances (conditional aid-growth correlation). Following is literature review that addresses the three debated perspectives.

### **2.7.1 Pro-Aid Perspective**

An array of literature argue in favor of positive effects of aid on growth; Kosack and Tobi (2006) hold that aid contributes powerfully to both economic growth and human development with a higher degree of democratic responsiveness in recipient countries. Foreign Aid in form of technical assistance provides technical knowledge and skills which influences positively the development process. The technical knowledge and skills are expected to influence the development process by improving the quality of the labor force (human capital) and filling the skills gap (Kabete, 2008). Consistent with this view, the studies conducted by Papenek (1973) and Levy (1988) found that aid had a positive impact on growth, hence sparking the debate between among economists and researchers. These analysts believed that aid increases growth by augmenting savings, financing investments, and adding to the capital stock. They argue that aid also helps increase productivity, especially aid in health or education programs. They also consider the transfer of knowledge and technology from rich countries to poor countries as a positive effect. Kabete (2008) highlighted that Aid in form of budget support helps

the government to meet its development and recurrent expenditure, although the donor intended expenditures are the development expenditures. Therefore, foreign aid used for investments in education, health and infrastructure contribute to economic growth and development. The import support (which is under program aid) helps to increase the production capacity for private and public enterprises thus resulting into higher output and increased goods availability. Furthermore, foreign aids is very crucial for emergence relief particularly in war prone areas and areas affected by natural disasters. In most cases, humanitarian aid has achieved saving lives, providing food to the hungry and healthcare and medicines to those vulnerable to acute diseases in emergencies.

### **2.7.2 Anti-Aid Perspective**

Project aid distorts spending patterns as aid recipient governments are supposed to cover the recurrent costs of the projects. Also, proliferation of numerous projects creates pressure to the already constrained capacity in developing countries. In addition, aid tying which is associated to project aid, leads to the exploitation of foreign aids recipient country because it is obliged to procure items from the donor country (Riddell, 2007). Foreign aid may result in an appreciation of the real exchange rate of the recipient country resulting in rising domestic inflation. This is referred to as the Dutch disease effects, whereby an inflow of foreign exchange (in form of export earnings, private capital inflows or foreign aid) puts upward pressure on the real exchange rate of the recipient country. Foreign aid may result in the appreciation of the exchange rate of the recipient country thus reducing the competitiveness of its export sector (Kabete, 2008). Foreign aid reinforces the habit of dependency as the recipient countries do not exert and make policies to develop their economy with their own domestic resources. They also do not pay attention for development of technology; they just become entirely dependent on others. Furthermore, foreign aid gives the donor countries the opportunity to interfere with the internal affairs of the recipient countries so there are always political consequences linked with the foreign aid (Randhawa, 2012). In consistent with this view, De Mesquita and Smith (2007) argue that donors provide aid to recipient countries in pursuit of their economic benefits, geopolitical interests, or both.

Whether to gain allies, ensure access to recipients' natural resources or mitigate political instability, such scholars believe that aid usually comes at a price (usually in the shape of policy concessions), which might, in turn, explain why aid might not go to the poorest countries. Furthermore, Griffin and Enos (1970) were among the first to publish empirical research questioning aid effectiveness.

They found, through simple correlation that there is a negative relationship between aid and growth in twenty seven countries. In consistent with this finding, other scholars found little robust evidence of a relationship between aid inflows and growth, however. Whitaker (2006) argued that aid has an extremely modest effect & can be easily influenced by geopolitical factors to the extent that foreign aid might hinder economic growth. Rajan and Subramanian (2005) analyzed both cross sectional and panel data yet found no evidence of a relationship between aid and growth; they also found no evidence that aid effects vary by soundness of policy, geographical location or type.

### **2.7.3 Qualified View Perspective**

The above two controversial perspectives cannot generalize that aid has absolutely no effect on growth and vice versa. Other researchers seek to see where and in what circumstances can foreign have a positive or negative impact on growth instead of ascertaining whether aid has a positive or negative relationship with growth. It is therefore rational to identify the key factors that cause aid to work or not work for growth. The studies categorized the factors to country specific factors and donor specific characteristics that provide suitable and good environment for aid to stimulate growth. Burnside and Dollar (2000) search the links between aid, policy, and growth and found that foreign aid has a positive impact on growth in developing countries with good fiscal, monetary and trade policies but has little effect in the presence of poor policies. Statistical regression is the main method used by Burnside and Dollar to arrive at a composite variable that reflects the above criteria for a good policy environment. Using standard growth regression, Burnside and Dollar compared the interaction of aid (in percent of gross national product) with the policy variable and concluded that "the impact of aid is greater in a good policy environment than in a poor policy



environment” and further suggested that “making aid more systematically conditional on the quality of policies would likely increase its impact on developing country growth”. This study gained favor from aid regime supporters because it explains why aid has supported growth in several countries (Korea, Botswana, Indonesia, Mozambique and Uganda) while at the same time not influencing growth in others (Haiti, Liberia, Zaire and the Philippines). Furthermore, Kaufmann and Pritchett (1995) pointed out that in most circumstances foreign aid worked well in countries with good policies and strong institutions. They were able to link good performance of aid-financed projects in a certain country to that country’s policies on civil liberty by using World Bank data. Apparently, aid projects in countries that practice the best civil liberties have a higher economic rate of return than those in countries with poorer civil liberty systems.

To sum up, no consensus is to be found among economists on the net effect of foreign aid on economic development relevant factors such as unemployment, poverty, inequality and overall welfare. The anti-aid and pro-aid researchers cannot be generalized whether or not foreign aid has absolutely effect on economic development. Based on depth revision of anti-aid ad pro-aid literature, the researcher agree with the approach that the effectiveness and ineffectiveness of the foreign aids on the economic development depends on many factors; some of the them refer to the donors themselves and others attributed to the recipients. Therefore, it is a good approach to identify the main factors that make foreign aid work or not work for economic development. In this research, the researcher endeavor to identify the specific factors under the five common evaluation criteria that will help the PNGOs to optimize the utilization of the foreign aids and to contribute in the economic development.

## **2.8 Theories of Foreign Aid and Economic Growth**

Early economic growth theories in the 1950s and 60s stressed that the basic problem for many developing countries was precisely capital formation. These theories were in the view that development assistance was important for these countries as capital formation played a great role in economic growth. The reason behind such argument is that these countries have insufficient private and public savings to finance

large investments such as economic infrastructure. Furthermore, developing countries had few resources in form of foreign exchange to finance imports of machinery and other capital goods. Therefore, foreign aid were essential to fill the savings – investment gap and the trade gap by increasing investments and thus growth. However, from the 1980s, there have been varied objectives of providing aid with the expected benefits in terms of economic growth, poverty reduction, investments and public expenditures in services in aid recipient countries (Kabete, 2008). Following are the three prevalent models utilized by analysts of the aid-growth relationship.

### 2.8.1 Two-gap Model

The Gap Model popularized by Chenery and Strout (1966) ages ago is still in use in projecting the macroeconomic impact of foreign aid. This model has two components hence it is also commonly referred to as the Two-Gap Model (McMillan, 2011). The first component is the investment-savings ( $I - S$ ) gap and the second component is the import-export ( $M - X$ ). The gap results in case a country invests more than it saves, or a country imports more than the exports. Such that, that foreign aid is a way to filling these two gaps in order to achieve the target growth rate of the economy. Chenery & Bruno (1962) indicated that a savings gap arises when the domestic savings rate is less than the investment required to achieve the growth target. The economy can achieve the target growth rate by filling this savings gap with foreign aid. Structurally, the two gaps are represented in terms of the national income accounting identities as follow using the aggregate expenditure equals aggregate output approach

$$E - Y \equiv I - S \equiv M - X \equiv F \quad (1)$$

Where  $E$  is national expenditure,  $Y$  is national output and income,  $I$  is investment,  $S$  is saving,  $M$  represents imports,  $X$  is exports and  $F$  represents net capital inflow. Such that, when aggregate expenditure,  $E$  is more than the aggregate output,  $Y$  then the economy requires foreign capital inflow or aid,  $F$  in order to meet the short fall in income. The short fall, however, would be from domestic savings being less than the required investment, that is, a savings gap ( $I - S$ ) and from foreign exchange required

for import being more than net earnings from export, that is, a foreign exchange gap ( $M - X$ ).

The capital inflow can take the form of concessional lending abroad, foreign direct investment (FDI) inflows, portfolio investment by foreigners and official development assistance (ODA), (as cited in Kolawole, 2013). Thus, it follows that

$$I - S = F \quad (2) \quad \text{and} \quad M - X = F \quad (3)$$

Equations (2) and (3), like (1), express that the gap in each of savings gap and foreign exchange gap is equal to foreign aid.

As such, if FDI is the aid required for savings gap and ODA is necessary for filling the foreign exchange gap, then it holds that

$$F = FDI + ODA \quad (4)$$

### 2.8.2 Harrod-Domar Model

The Harrod-Domar model, points out that output depends on the investment rate and the productivity of that investment. In an open economy, investment is financed by savings which is a sum of domestic and foreign savings. This model explains economic growth in terms of a savings ratio and capital-output coefficient. The model (as cited in Kabete, 2008) is expressed as follows:

$$g = (I/Y) / \mu \quad \dots\dots\dots (2.1) \text{ and}$$

$$I/Y = A/Y + S/Y \quad \dots\dots\dots (2.2)$$

Where  $I$  is required investments,  $Y$  is output;  $g$  is target GDP growth,  $A$  is aid;  $S$  is domestic saving and  $\mu$  the incremental capital-output ratio (ICOR). The ICOR gives how many units of additional capital are required to yield a unit of additional output, thus the ICOR is the ratio of investment ratio to the growth rate. The incremental capital-output ratio (ICOR) is thought to range between 2 and 5. A high ICOR is often taken as a measure of poor quality of investment. Using the idea of ICOR, the Harrod-

Domar model was the base for the first national development plans in Less Developed Countries. This made possible to estimate the capital investments and aid needs for a given target rate of growth as it provided the simple framework used for quantitative planning techniques.

Guru (2015) indicated that it is difficult to estimate the capital-output ratio of an economy. However, the productivity of capital depends upon many factors such as the degree of technological development associated with capital investment, the efficiency of handling new types of equipment, the quality of managerial and organizational skill, the existence and the extent of the utilization of economic overheads and the pattern and rate of investment. It is agreed that capital-output ratio in underdeveloped countries is generally higher, i.e., the capital is less productive in them than in developed countries. This is so because there is a relative inefficiency of the industries which produce capital goods.

### **2.8.3 Poverty Trap**

A poverty trap is a bad equilibrium for a family, community, or nation, involving a vicious circle in which poverty and underdevelopment lead to more poverty and underdevelopment, often from one generation to the next (Todaro and Smith 2012). It is also any self-reinforcing mechanism which causes poverty to persist. If it persists from generation to generation, the trap begins to reinforce itself if steps are not taken to break the cycle (Azariadis and Stachurski, 2005). The poverty trap model is actually more of a theoretical framework than an econometric one. The earliest poverty trap model was used by Nelson in 1956. Unlike the gap model which sees foreign aid as a way to raise investment and thus influence growth, this model assumes that growth is hampered by poverty traps which can come from various factors like low production capacity, high population, weak savings. Regardless of the causes, poverty traps are seen to compromise growth. Foreign aid, which is a temporary injection of capital, is assumed to help the economy get out of the poverty trap and take-off towards growth (McMillan, 2011).

In explaining the poverty trap Sachs a famous American economist begins from the premise that the household is forced to consume all of its income in order to survive.

The result is that none of the household's income is saved and, therefore, no funds are invested in capital. Without investments in capital, the household is unable to grow its income. Worse still is that the household's capital stock depreciates over time. With no investment to replace depreciating capital the household finds itself trapped in a vicious cycle of falling incomes, zero savings, zero investment and falling capital per person (Sachs, 2005). The solution to this predicament, according to Sachs, is aid. Aid provides the household with the necessary capital to allow it to generate income. Once the capital stock rises to a sufficient point, the household can begin saving and investing in capital on its own at which point aid is withdrawn and the household enjoys self-sustained economic growth. Aid therefore breaks the poverty trap.

Jeffery Sachs pointed out that the extreme poor lack six major kinds of capital: human capital, business capital, infrastructure, natural capital, public institutional capital, and knowledge capital. He further added that the poor start with a very low level of capital per person, and then find themselves trapped in poverty because the ratio of capital per person actually falls from generation to generation. The amount of capital per person declines when the population is growing faster than capital is being accumulated. The question for growth in per capita income is whether the net capital accumulation is large enough to keep up with population growth. He argued that sufficient foreign aid can make up for the lack of capital in poor countries, maintaining that, If the foreign assistance is substantial enough, and lasts long enough, the capital stock rises sufficiently to lift households above subsistence (Cited from Wikipedia, 2014).

From the researcher's point of view, Harrod-Domar model is very important to be applied for the Gaza Strip in order to achieve the required economic growth. This model depends basically on level of the national saving as well as on the productivity of the capital investment (capital-output ratio); this is reflected in following equation Rate of growth ( $Y$ ) = Savings ( $s$ ) / capital output ratio ( $k$ ).

Since the level of saving in Gaza is low so there is a need for foreign aids to provide funds for firms to borrow and invest and hence investment can increase the capital stock of an economy and generate economic growth through the increase in

production of goods and services. The capital output ratio measures the productivity of the investment that takes place. If capital output ratio decreases the economy will be more productive, so higher amounts of output is generated from fewer inputs and this leads to higher economic growth. For Gaza Strip, the capital output ratio could be decreased through paying great attention to the advanced administrative and organizational aspects, using advanced techniques in production and clear and comprehensive strategy for development. The same concept is applied for NGOs sector. NGOs need foreign aid for achieving development and such foreign aids could be optimized through efficiently and effectively using the aids. Furthermore, the researcher believes that most of the foreign aided projects are scattered, fragmented and ineffective to make people escape from the poverty trap but in contrary it appears that foreign aids forces the people to remain in poverty trap and dependent on the foreign aids. This trap can be broken by planned adopting comprehensive integrated strategy for combating poverty in which the government, NGOs, private sectors and foreign donors cooperate among each other to achieve this objective.

## **2.9 Chapter Summary**

Military assistance was considered as the earliest form of the foreign aid. The structure and scope of foreign aid can be traced to two major developments following World War II. First, the implementation of the Marshall Plan to rehabilitate the economies of 17 western and southern European countries and the founding of significant international organizations including UN, IMF, and WB. During the Cold War, the United States and Soviet Union and their allies used foreign aid as a diplomatic tool to foster political alliances and strategic advantages. In year 2000 the eight MDGs (Millennium Development Goals) were adopted by the international community to respond to the failure of explicitly growth-focused aid in alleviating poverty, governments come together to form an international action plan to increase the amount of aid by 2015 to 0.7% of GNI and to target poverty reduction in eight areas. Today, ODA is one of key instruments in supporting developing countries by providing hundred billions of dollars by developed countries to developing countries with aim to reduce poverty and to improve ill economies.

There are many forms of development aid which include project aid, financial program aid, technical assistance, food aid and humanitarian aid or emergence relief and such aid could be tied, partially tied or untied. The tied aid has negative impact on the recipient countries. The role and effects of foreign aid in the economic development of developing countries have been and are controversial issues. Some economic studies of foreign aid suggest that it is successful, as the other studies find no relationship between foreign aid and growth rate of output and some researchers qualify that aid can either be effective or ineffective depending on certain donor conditions and country circumstances.

Economic growth theories in the 1950s and 60s stressed that foreign aid is very important for developing countries as these countries lack the capital formation to implement large projects such as infrastructure projects. There are the several prevalent models utilized by analysts of the aid-growth relationship. In this research, three models have been addressed. The first model is the two Gaps Model. The first component is the investment-savings ( $I - S$ ) gap and the second component is the import-export ( $M - X$ ). The gap results in case a country invests more than it saves, or a country imports more than the exports. Such that, that foreign aid is a way to filling these two gaps in order to achieve the target growth rate of the economy. Harrod-Domar model suggests that economic growth achieved through encourage saving and if saving is not sufficient then government needs foreign aid in addition government should support technological advancements to decrease the economy's capital output ratio which measures the productivity of the investment that takes place. If capital output ratio decreases the economy will be more productive, so higher amounts of output is generated from fewer inputs and this leads to higher economic growth. Finally, the poverty trap model assumes that growth is hampered by poverty traps which can come from various factors like low production capacity, high population, weak savings and foreign aid, is assumed to help the economy get out of the poverty trap and take-off towards growth.

**Chapter Three**  
**Foreign Aid to the Palestinian and its Impact on Economic**  
**Development**

**3.1 Introduction**

**3.2 Aid Flows to Palestinian Authority and Its Relation to Political Context**

**3.3 Present Palestinian Economic Conditions**

**3.4 Definition of NGOs**

**3.5 Types of NGOs**

**3.6 Evolution of the Palestinian NGOs**

**3.7 NGOs Classification in Gaza Strip**

**3.8 The Relationship between NGOs and the Government**

**3.9 The Impact of Foreign Aid to NGOs on Recipient Countries**

**3.10 Chapter Summary**



### **3.1 Introduction**

The first section of the chapter will look into the history of aid flows to the PA. The international community has provided a great deal of assistance to the Palestinian people over the years, both to help them bear the burden of the Israeli occupation and to build their own resources to foster sustainable development. After the establishment of the PA following the Oslo Accords, the focus of this assistance was to promote peace in the region through development. In fact, the foreign aid fluctuated in accordance with the Palestinian political situations as the international donors withholding of aid to PA since Hamas election victory in 2006 because of Hamas refusal of Quartet principles related to peace process with Israel demonstrates donors' resolve to use conditional aid for their own political purposes at the expense of Palestinians' interests. Also, Israel's policies against the Palestinians that included for example establishing more settlements, confiscating more lands, demolishing farms and houses, putting barriers and restrictions on the foreign trade make the economic development is a difficult if not an impossible task. The chapter also provides a history of the evolution of the PNGOs since the Ottoman Empire, passed to the Egyptian and Jordanian rule and finally under the Israeli occupation and how its role changed over time. Finally, the chapter shed the light on relation between PNGOs and the Palestinian Authority and the impact of the international aid to PNGOs on the Palestinian society.

### **3.2 Aid Flows to Palestinian Authority and Its Relation to Political Context**

Palestinians in the West Bank and Gaza Strip receive one of the highest per capita of international development assistance in the world (Lasensky and Grace, 2006). Aid has been offered to the PA and other NGOs by the international community, including INGOs. The entities that provide aid to the Palestinians are categorized into seven groups: the Arab nations, the European Union, the United States, Japan, international institutions (including agencies of the UN system), European countries, and other nations (Said et al, 2004). Following are the stages of the international aid to PA from Oslo accord in 1993 till 2014 based on political and significant events that Gaza Strip passed through during this period.

### **3.2.1 Stage One 1993-2000**

Immediately after the Oslo accords and specifically on October 1, 1993, the international donor community (nations and institutions) met in Washington pledged to provide approximately \$2.4 billion to the Palestinians over the course of the next five years in order to make the agreement successful and to make the Accords to stand in the face of daily challenges on the ground and also ordinary Palestinians needed to perceive positive change in their lives (Said et al, 2004). Therefore, the donors had two major goals: to fuel Palestinian economic growth and to build public support for negotiations with Israel. This phase also witnessed the establishment of the PA. The international aid for Palestine during this period ranged about 500 million dollar annually. The funding priorities at this stage were as follows (Shaban, 2006):

- Infrastructure projects
- Social service projects
- Institution-building projects
- Productive sectors projects

The first three sectors have acquired the lion's share of the aid; the allocated fund of each sector of the three ranging from 25% to 30% of the total aid.

### **3.2.2 Stage Two 2000-2004**

This stage witnessed the outbreak of the second intifada in late September 2000 which affected on many aspects of Palestinian society. Armed conflict has erupted again between Palestinian and Israeli occupation. During this stage, Israel launched fierce campaign against the Palestinians and destroyed what has been achieved over the past years included industrial, agricultural, tourism, public institutions sectors. Furthermore, Israeli authorities imposed long closures on the Palestinian territories. Palestinians losses in these years were estimated more than 16 billion dollar which exceeded many times the size of international aid. All these Israeli procedures impacted negatively on Palestinian society as follows (Shaban, 2006):

- Destruction the productive industrial, agricultural and tourism institutions.

- Widespread of unemployment, poverty and social problems.
- Deterioration of the internal relations and the emergence of security chaos and armed conflict.
- Inability of the Palestinian Authority to maintain control over the internal front.
- Palestinian society as a whole becomes dependent on international aid.
- Radical shift in the Palestinian economy structure; the sustainable development programs declined and replaced by relief programs that do not have any impact on the medium and long terms.
- Stop working in strategic infrastructure programs such as Gaza Port and Gaza Airport.
- The international aid has doubled during these years from 400-600 million dollar annually during the period 1995-2000 to reach one billion dollar.
- Significant change in the area of finance from supporting the sustainable development programs to what is called budget support which took 50% of the foreign aids to enable the PA to pay the salaries of 130,000 employees. There was also change in sectoral distribution of aid. For example, the social sector took 68% of the total aid while it was 27% as it is indicated in the previous period. The infrastructure sector took 27% of the total aid dropped to only about 10%. These changes were attributed to the inflation of the social problems that emerged during the uprising and the paralysis in the productive sectors resulted from the policies of Israeli occupation as mentioned above.

### **3.2.3 Stage Three 2005-2007**

Hamass's election victory in year 2006 gave a clear example of the problematic issue of the political aid provided by international donors to the Palestinian Authority. Hamass stance of refusal the Quartet principles resulted in cessation of direct financial aid to the government, cessation of transferring the tax revenue collected by Israel on behalf of Palestinians and the elected government was exposed to sanction by Israel and Western countries. Because of the worsening human crisis and to continue delivering assistance to poor people, the European Union (EU) proposed a plan to channel aid directly to the Palestinians, bypassing the Hamass-led PA; the EU set up in 2006 a Temporary International Mechanism (TIM) to channel the money for every three months. The

emergence of two governments was in 2007. One government led by Fateh in the West Bank and the other government led by Hamas in Gaza Strip. The EU continued aid support to the West Bank government while imposed siege on Hamas government (Saleh, 2014).

#### **3.2.4 Stage Four 2008-2010**

In 1 February 2008, the EU launched Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique (PEGASE) -Palestinian-European Mechanism for the Management of Socio-Economic Aid. The new European Mechanism to support the three years (2008-2010) Palestine Reform and Development Plan (PRDP). PEGASE was built on the success of TIM but in broader scope. PRDP was set out to provide financial and technical assistance in two kinds of support through PEGASE: first, the EU is providing direct financial assistance to the Palestinian Authority to help it deliver public services. EU funds support the salaries of servants and pensioners, helping to ensure vital services such as schools, hospitals can continue operating. Funds are also provided to the more vulnerable Palestinian families through social allowances scheme which is coordinated with the Palestinian Ministry of Foreign Affairs. Finally, EU funds help to ensure that the people of Gaza have electricity by purchasing the fuel that is needed to operate the Gaza power plant. Secondly, through PEGASE, the EU aims at shifting away from short-term, emergency assistance to a sustainable Palestinian development process, widening the range of activities supported in the West Bank, Gaza and East Jerusalem. The EU is supporting major infrastructure development projects that will deliver concrete benefits to Palestinians in areas such as better water and sanitation, safer schools, safer electricity networks and better roads (EU, 2008).

In addition, the EU funds a wide range of projects that support the priorities of the Palestinian authority in areas such as judicial reform, support to the Palestinian civilian police, enhancing the health and education systems and improving public financial management. EU funds also support the PA's efforts to create an environment that is more business-friendly and more supportive of trade. The ultimate aim of PEGASE was to contribute in successful recovery of Palestinian economy and the construction of Palestinian state based on peace and prosperity (EU, 2008).

In year 2008, Israeli launched brutal aggression on Gaza Strip in year 2008 caused huge loss in the economics of the Gaza Strip estimated with 1.8 billion dollar. This aggression led also to closing most of the operated factories, declining significantly the number of workers in agriculture and industry, suspending the works on construction and other development projects and increasing the foreign aid in the relief and humanitarian field (MAS, 2013).

### **3.2.5 Stage Five 2010-2014**

In 27 November 2011, Annapolis conference was held in US by 40 countries to push the peace process forward. Following it in 17 December 2011, the Paris conference was held for international donors at which \$7.7 billion was pledged for 3 years 2008-2010 (Saleh, 2014). From the mid of year 2010 to the mid of year 2013 Gaza strip witnessed remarkable economic growth resulted from the Quatrain aid and the easiness of construction materials and fuel entry from the tunnels. In addition, UNRWA and other INGOs managed to enter the construction materials to build some specific projects such as schools hospitals and residential buildings. The economic growth continued to increase despite the Israeli aggression launched on the Gaza Strip on November 2012 that resulted in huge destruction in several productive sectors. This could be attributed to the fact that the construction materials and other goods continued to flow to the Gaza Strip and thus contributed in creating many job opportunities and activating the economic cycle (MAS, 2013). During this period, there was a threat to cut off aid for the PA if it continued to move forward on the unity government with Hamas, unless Hamas renounced violence, recognized Israel and accepted Palestinian- Israel previous agreements. Table (3.1) below shows the international aid for the PA for the period from 1996 to 2015.

**Table(3.1): International Aid for the Palestinian Authority, 2007-2014**

<b>Foreign Aid (in million \$)</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>
	1996	291.5	2001	849	2006	1,019	2011	983.3
	1997	268.1	2002	697	2007	1,322	2012	932.1
	1998	236.3	2003	620	2008	1,978.1	2013	1358
	1999	244.9	2004	353	2009	1,401.8	2014	1,230.4
	2000	510	2005	636	2010	1,210.3	2015	796.8
<b>Total</b>	<b>19,937.6 \$</b>							

Source: Palestinian Monetary Authority, 2015.

Based on tracking the path of the foreign aid as mentioned above, the researcher believes that the foreign aid is fluctuated and associated with the political situations of the PA from the peace process with Israel. In fact, foreign donors did not aim at creating independent and sustainable Palestinian economy. The basic services such as health, education and salaries were connected with the donors' consent on the political orientations of the PA. This caused the PA to be unable to take independent decisions on several strategic issues it faced. In addition, the PA and the NGOs did not have comprehensive economic development vision which made the foreign donors to impose their agenda.

### **3.3 Present Palestinian Economic Conditions**

Israel occupied the West Bank and Gaza Strip in “Six Day War”, and the Israeli military government signed a series of military orders to confine the residents of the occupied territories in production and living, more than half of which was related to economic issues. These military orders cut off the relation between the occupied territories and the outside world, which changed Israel into its supplier in production and daily necessities. More than 90% of all goods imported from Israel or through Israel in the occupied territories. And Israeli collected heavy taxes on commodities that were produced by non-Israeli but delivered to the West Bank and Gaza Strip by Israel, which made Palestine greatly reduce the trade with the surrounding countries, thus Israel became Palestinian one-way trading partners in fact. Namely only permitted the Israeli Goods free dump to the West Bank and Gaza Strip, and Palestinian commodities that exported to Israel were variously restricted. Meanwhile, Israel prohibited the Palestinians carrying out their business license for production and business activities in

the cities; the Israel expropriated peasant land, built settlements, and controls the water in rural areas. In this case, many Palestinians entered Israel for work in order to make a living and provided the cheap labor for Israel. Palestinian economy emerged a serious setback from 1978 to 1988. The Israel adjusted the economic infrastructure in the occupied territories, leading to the Palestinian economy's dependence on the Israeli economy (Liu, 2010).

Today's Palestinian economy is a product of a long and complex existential conflict. Yet history aside, the first time one was able to discuss a pseudo-autonomous Palestinian economy was after the signing of Oslo Accords in 1993, which replaced the direct and full Israeli authority over the two geographically separate regions the West Bank and Gaza strip with PA. Palestinians were no longer under the civil rule of Israel.

However, they were far from having space to grow, develop and move freely; restrictions on movement and trade were imposed, Israeli settlements continued to spread and expand within the Occupied Palestinian Territory (OPT), more land was confiscated, farms and trees were destroyed and houses were demolished systematically. The fight over resources continued, and this constrained entity was denied sovereignty; it had no specified borders, no control over crossings, no army or even a national currency. Eventually, an economy that is fraught with distortions and abnormalities came into existence.

Despite several development attempts, today's Palestinian economy is best described as malformed. This small economy has been forced to grow dependent on: Israeli demand for goods and labor, international aid and remittances of Palestinian workers abroad.

The absence of a national currency has deepened Palestinian dependence on others (Sarsour et al, 2011). Liu (2010) further added that "The Paris Economic Memorandum" Signed in 1994 was even worse than the "Oslo agreement" because it ignored the Palestinians' sovereignty over the occupied territories and thought that Palestinians could not formulate true economic development strategy so it need to continue to rely on Israel. Israel supervised the freedom of import and export in

occupied territories and explicitly restricted the import and export of goods in the types and quantities in the occupied territories, and repeatedly blocked the West Bank and Gaza Strip by the pretext of security, cut off the West Bank and Gaza seaport linking with external markets, brought great disasters to the Palestinian economy, labor, and trade causing serious economic recession, so the national income appeared sharp drop.

### **3.4 Definition of NGOs**

Many definitions for non-governmental organizations (NGO) have been found on literature. The World Bank defined the NGOs as "private organizations that pursue activities to relieve suffering, promote the interests of the poor, provide basic social services, or undertake community development" (Bisan Center, 2006). UN often referred to as "civil society organization" (CSO) and defines NGO as is a "not-for-profit group, principally independent from government, which is organized on a local, national or international level to address issues in support of the public good. Task-oriented and made up of people with a common interest, NGOs perform a variety of services and humanitarian functions, bring public concerns to governments, monitor policy and program implementation, and encourage participation of civil society stakeholders at the community level"( UNROL, 2015). According to the Palestinian Law, NGO is defined as "any charitable association or community organization with an independent judicial personality, established upon an agreement concluded among no less than seven persons to achieve legitimate objectives of public concern, without aiming at attaining financial profits to be shared among the members or achieving any personal benefits (Bisan Center, 2006). Therefore, the characteristic of the NGO based on the above definitions are: not-for-profit, voluntary citizens' group, task or objectives-oriented and made up of people with a common interest, organized on three levels (local, national and international), address issues in support of the public good and organized around specific issues, such as human rights, the environment or health. NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to Governments, monitor policy and program implementation, and encourage participation of Civil Society stakeholders at the community level.



### 3.5 Types of NGOs

The Non-governmental organizations forms a heterogeneous group and it has a long list of organization working in different areas with varied scope of work. The alternative terms used in addition to “NGO” include private voluntary organizations, civil society, independent sector, self-help organizations, grassroots organizations, volunteer sector, transnational social movement organizations, and non-state actors (NSA’s). NGO types can be understood by their orientation and level of operation (Cousins, 1991).

#### 3.5.1 NGO Types by Orientation:

By orientation, NGOs can be charitable, service, participatory or empowering (UNEP, 2003):

**Charitable Orientation:** often involves a top-down paternalistic effort with little participation by the "beneficiaries". It includes NGOs with activities directed toward meeting the needs of the poor -distribution of food, clothing or medicine; provision of housing, transport, schools etc. Such NGOs may also undertake relief activities during a natural or man-made disaster.

**Service Orientation** includes NGOs with activities such as the provision of health, family planning or education services in which the program is designed by the NGO and people are expected to participate in its implementation and in receiving the service.

**Participatory Orientation** is characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing cash, tools, land, materials, labor etc. In the classical community development project, participation begins with the need definition and continues into the planning and implementation stages. Cooperatives often have a participatory orientation.

**Empowering Orientation** is where the aim is to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives. Sometimes, these groups develop spontaneously around a problem or issues, at other

times outside workers from NGOs play a facilitating role in their development. In any case, there is maximum involvement of the people with NGOs acting as facilitators.

### **3.5.2 NGO Types by Level of operation**

NGOs types based on the level of operation include those that are community-based, city-wide, national and international (UNEP, 2003):

**Community-based Organizations (CBOs)** arise out of people's own initiatives. These can include sports clubs, women's organizations, and neighborhood organizations, religious or educational organizations. There are a large variety of these, some supported by NGOs, national or international NGOs, or bilateral or international agencies, and others independent of outside help. Some are devoted to rising the consciousness of the urban poor or helping them to understand their rights in gaining access to needed services while others are involved in providing such services.

**Citywide Organizations** include organizations such as chambers of commerce and industry, coalitions of business, ethnic or educational groups and associations of community organizations. Some exist for other purposes, and become involved in helping the poor as one of many activities, while others are created for the specific purpose of helping the poor.

**National NGOs:** include organizations such as the Red Cross, YMCAs/YWCAs, professional organizations etc. Some of these have state branches and assist local NGOs.

**International NGOs** range from secular agencies such as Save the Children organizations, OXFAM, CARE and Ford Foundation to religiously motivated groups. Their activities vary from mainly funding local NGOs, institutions and projects, to implementing the projects themselves.

Generally, Nongovernmental organizations emerge from communities, civil society organizations, collective activities, religious organizations, universities and individual initiatives. Often started as small volunteer projects, NGOs are sometimes referred to as grassroots organizations, voluntary organizations, charities or nonprofits,

all names that denote the voluntary, public service, and community orientation that NGOs have. The perception of NGOs is that they play a complementary role in response to government and market failures to reach poor (cited from Namara, 2009) calls this the functionalist explanation of the roles of the NGOs where they are naturally respond to filling the gaps left by the two other actors (government and private). This is dominant view of NGOs as philanthropic actors, value-based and guided by altruism. This altruism is often reflected in the NGOs mission statement with concepts such as "we live to struggle for liberation", to talk for voiceless, "to care for uncared" and to "improve the livelihood". Oxfam international mission is to overcome poverty, injustice and suffering around the world. In this context NGOs work as charities to do good acts. Salih (2002) referring to Islamic NGOs maintains that they are inspired to perform good deeds and guided by voluntarism inherent in Quran. The constant assumption of NGOs is that they look for the poors and extend welfare and employment services for them.

### **3.6 Evolution of the Palestinian NGOs**

NGOs are not a new feature of Palestinian society. Civil society, of which NGOs are just a part, existed in Palestine since before the Ottoman Empire. Among the most common type of civil society organization that emerged early in the history of modern Palestine is the charitable societies that started their activities at the turn of the 20th Century under a legal framework instituted by Ottoman law (Jarrar, 2005). Under the Turkish-Ottoman rule, the cultural societies and various clubs emerged for the purpose of advocating for public policy issues as well as to gain public support for their goals. These were traditionally based on religious and family affiliations and were led by prominent families (Hadi, 2005).

Political-type NGOs probably find their roots during the Jordanian/Egyptian rule when Palestinians in the West Bank and Gaza Strip established a variety of professional and charitable organizations to cater to the needs of specific constituencies and either assist, complement or oppose the ruler's practices. The leaders of these organizations no longer came from traditional prominent family backgrounds but from a new breed of educated political elite (Hadi, 2005).

The next generation of NGOs played a crucial role during the period of Israeli occupation. The charitable associations re-emerged to cater to the pressing need for basic services of the Palestinian population under a new authoritarian ruler (Jarrar, 2005). It was during this period, particularly during the First Intifada, that development and justice NGOs---those that provided services to the poor and marginalized in the context of social injustice, came to the fore. Charitable institutions and development NGOs saw to these needs independent of the occupier and promoted the virtues of steadfastness and resistance among the people. Between these periods, a host of other civil society groups became part of Palestinian life: popular organizations (women's groups, labor unions, voluntary work movement); development organizations (agriculture and health committees); research, media and human rights organizations; and special interest groups (e.g. for people with disability, elderly, etc.) (Bhargouthi, 2006). However, it is the charitable societies that are most numerous, even up to the present time, because they address essential needs of the population. Also, the study conducted by Abu Hamad (2011) pointed out that the roots of civil society in Palestine is traced back to the volunteer work experience in the beginning of the 80th of the last Century which have been initiated by the political forces who believed on the public work as an option to resist the occupation. The Palestinian civil society case, in particular, is considered unique since their works were developed under the occupation and in the absence of the state institutions. The Palestinian civil society in general played a vital role in providing the basic services to the whole society in many different fields such as education, health and relief and as part of its struggle against the occupation, it was successfully able to reach to the most vulnerable and poor people in order to reinforce their steadfastness and resistance.

The periods during the two Intifadas highlighted the critical role of NGOs. In the absence of a fully functional government, they became the main channel of resources from donor countries and Arab neighbors to those who were adversely affected by the conflict. Unity was created among different types of civil society organizations with the single purpose of surviving the occupation. Unfortunately, this unity of purpose was disrupted by changes in the political landscape. The creation of the PA as a central ruling authority prompted the resurgence of traditional, conservative and patriarchal values. By the Second Intifada these traditional systems had dominated

the PA which disregarded the mode of popular participation and decision-making that characterized social response during the First Intifada (cited from Songco, Nijem, Al-Farra, 2006).

### 3.7 NGOs Classification in Gaza Strip

The Statistics by Ministry of Interior (MOI) indicates that the number civil organizations in the Gaza Strip up to year 2014 is 901. Table (3.2) shows NGOs classifications based on sectors in which Non Governmental Organizations work.

**Table (3.2): Number and the classification of the local and foreign NGOs registered in the Ministry of Interior in Gaza strip:**

No	Organization Type	No. of NGOs	No.	Organization Type	No. of NGOs
1	Handicaps	26	11	Environment	12
2	Syndical	45	12	Culture and Art	76
3	Brotherhood	1	13	Motherhood and Childhood	50
4	Tourism and Antiquities	2	14	Social	389
5	Agriculture	38	15	Education	1
6	High Education	38	16	Family and Tribes	8
7	Human Rights	11	17	Medical	54
8	Graduates	7	18	Friendship	3
9	Youth and Sports	59	19	Foreign	77
10	West Bank Branches	4			
<b>Total</b>			<b>901</b>		

Source: Ministry of Interior, 2014.

### 3.8 The Relationship between NGOs and the Government

The creation of the PNA had a major impact on the role of NGOs. Jarrar (2005) describes three phases in the relationship between NGOs and the PNA. The first stage (immediately after the creation of the PNA) was characterized by uncertainty in the role of NGOs. The new government recognized the value of the services provided by NGOs which it knew it could not fully provide. At the same time, it regarded NGOs as competitors in the performance of government's fundamental role of delivering basic services. The second phase is characterized by mutual acceptance as dialogue between the two sectors was initiated. In this period, NGOs started their political discourse on

the role of civil society, democracy and the rule of law. This brought about a shift in the nature of funding coming their way from service delivery to programs focusing on gender, democracy and human rights. The third phase is characterized by some collaboration where, for instance, NGOs and the Palestinian Legislative Council collaborated to craft the NGO Law. Presently, one can observe all the characteristics of these phases playing out their dynamics in the evolving relationship between government and NGOs.

### **3.9 The Impact of Foreign Aid to NGOs on Recipient Countries**

The role of NGOs has, and continues to, be a subject of wide discussion, and extensive literature. The thesis main question could be paraphrased as the following: do aid projects implemented by Non-Governmental Organizations (NGOs) work? As a matter of fact, this is not an easy question to answer because of several reasons that includes the variety of NGO projects in terms of area of activity, scale and size, as well as the huge numbers: hundred of different NGOs implementing hundreds of different projects from small scale projects to large scale projects. Additionally, assessment is made more challenging as most NGOs view the aid they give in terms of the tangible outputs they seek to deliver – health services and schooling, rural development, income generation, and micro-credit projects and program – as only comprising part of a wider and more long-term purpose of seeking to empower beneficiaries to be better able to shape their own lives. In such instances, focusing solely on whether these more immediate goals have been met only provides a partial answer to the more complex and, in their terms, more important hierarchy of questions that they would ask when determining whether their aid has “worked”. In Palestine for example, foreign aid has made some achievements related to empowering the poor and marginalized groups through the micro-finance programs particularly that part which targeted women and low-income people and through emergency relief programs and job creation projects. Furthermore, foreign aid contributed in providing the financial resources necessary to ensure the continued delivery of basic social services such as education, health care to Palestinian citizens, particularly those with limited income (MAS, 2005). On the other hand, foreign aid failed to empower Palestinian society to attain independence and self-determination and to lay the foundations for sustainable human development. Foreign

aid was not able to develop the Palestinian economy, to generate sustainable employment opportunities or to reduce the economy's vulnerability and dependence on external factors. The assistance failed to compensate for the losses and damages inflicted on Palestinian society and individuals by Israeli policies and practices. Indeed, foreign aid may unintentionally have relieved Israeli authorities of their economic and service-related obligations as an occupying power, since it enabled the PNA institutions and NGOs to continue providing basic services to Palestinian citizens.. In addition, the reliance of donors on foreign consultants and their considerably higher wages and larger benefits distorted the local market, while also consuming a substantial part of the aid. Finally, weak coordination between Palestinian recipient institutions allowed donor agencies to channel the assistance according to their own agendas and priorities (MAS, 2005). Furthermore, Murad (2007) highlighted that dependence on international aid has had devastating distorting consequences on Palestinian civil society including: donor-driven agendas as NGOs are forced to chase money through whatever calls for proposals are posted, rather than engage in the serious consensus building and strategic thinking required to develop indigenous civil society agendas, destructive competition for funds, leading NGOs to work in isolation from one another, undermining efficiency, wasting resources, and minimizing impact, limited flexibility to change program plans once approved, resulting in inability to change project activities and purchases even when new information proves the need.

### **3.10 Chapter Summary**

Palestinians in the West Bank and Gaza Strip receive one of the highest levels of aid in the world. The chapter traced the changing of the foreign aid to the PA over the period from 1993 till 2015 through dividing this long period into five stages based on political context. The literature review revealed the problematic of political aid to PA. For example, in the period 2005-2007 witnessed Hamas's election victory in year 2006 resulted in withholding the aid because of Hamas refusal the Quartet principles and EU established Temporary International Mechanism" (TIM) to channel the money for every three months bypassing the Hamas-led PA. The tracking of the foreign aid to PA reveals that the aid to high extent associated with the PA political situation of the peace process with Israel and that the foreign donors do not work for the development of the

Palestinian economy and they work for their agenda and interests. Also, Israeli occupation is another factor that hampers the Palestinian economic development through its policies that includes restriction of free movement, restrictions on trade , establishment of settlements, confiscating lands, destroying farms and trees and demolishing houses. The chapter also shed the light on the NGOs evolution; they are emerged early in the history of modern Palestine is the charitable societies that started their activities at the turn of the 20th Century under a legal framework instituted by Ottoman law. The political-type NGOs were established during the Jordanian/Egyptian rule. The next generation of NGOs was developed during the period of Israeli occupation to provide basic essential services to the Palestinian community in order to promote their steadfastness and resistance against the occupation. Although international aid 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. International aid was 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.



## **Chapter Four**

### **Poverty, Unemployment and Inequality in Gaza Strip**

#### **4.1 Introduction**

#### **4.2 Poverty**

#### **4.3 Unemployment**

#### **4.4 Inequality**

#### **4.5 Chapter Summary**

## **4.1 Introduction**

The meaning of Economic development is understood in this thesis as per the definition of "What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have become less severe, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development," even if per capita income has soared". This chapter seeks to provide an overview about the poverty, unemployment and inequality.

## **4.2 Poverty**

### **4.2.1 Definition and Concept of Poverty**

Poverty is a multidimensional and there is no single precise definition and evaluation of it. In the view of anthropologists, poverty is attached the values such as self-respect, security, vulnerability, independence, political rights, identity, decision making freedom, justice and social exclusion (Masika et al. 1997). These measures of poverty include income and consumption along with other social indicators such as nutrition, literacy, infant mortality and life expectancy. Traditionally, in developed and under developed countries income and consumption have been used as measure of poverty to facilitate agencies and governments for identification of deprive people in the society (Cited from Usman, 2011).According to Saifuddin (2006)poverty is said to be hunger.

Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and do not know how to read. Poverty is not having a job, is fear of the future, live one day and at a time. Poverty is losing a child to illness brought by unclean water. Poverty is powerlessness, lack of representation and freedom. Poverty has many faces, changing from place to place and across time, and has been described in many ways. O'Connor, 1991 (as cited from Akoji and Adofu, 2013) pointed out that poverty can be conceptualized as a condition in which an individual or household is unable to meet the basic needs of life considered

as minimum requirements to sustain livelihood in the given society; is unable to meet social and economic obligations, lacks gainful employment, skills, assets and self esteem; and has limited access to social and economic infrastructure such as education, health, potable water and sanitation; and consequently has limited chances of enhancing his/her capabilities.

Greenberg (2005) explain about the causes of poverty that; poverty has multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods: information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to, and information about, income earning opportunities.

Riddell et. al, (1995), classified the poor in three sub groups; the chronically poor, the borderline poor, and the new poor. The **chronically poor** are those whose income levels continually remain below a given poverty line, defined by minimum consumption standards, they suffer from acute deprivation. The **borderline poor** move in and out of poverty, often on a seasonal basis, according to the availability and work. The **new poor** are a third group who were previously above the poverty line but have since joined the ranks of the poor as a result economic recession or structural adjustment programs.

Therefore, poverty is not only in the perspective of traditional view that is the lack of income but also exclusion of people who are living in poverty from vulnerable conditions, customs and patterns. In this respect, modern definition of poverty illustrates that poverty is multidimensional and there is no single definition to represent it.

#### **4.2.2 Poverty Features in Palestine**

Poverty statistics are based on the official definition of poverty that has been developed in 1997. The definition includes absolute and relative features based on the budget of basic needs for a family consisting of five members (two adults and three children) and it has been prepared two poverty lines in accordance with patterns real consumption of households. The first poverty line is referred to as "extreme poverty line", it reflects the budget of basic needs of food, clothing and housing. The second poverty line is referred to him as the "poverty line", it reflects the budget of basic needs, in addition to other needs such as health, education, transportation, personal care, furniture and other home accessories. The relative poverty line and deep poverty line according to the consumption patterns for the reference household (two adults and three children) in the Palestinian Territory in 2010 were 2,237 NIS (609 US\$) and 1,783 NIS (478 US\$) respectively.

As per the Palestinian Central of Bureau of Statistics (PCBS) (2011), the relative poverty line and the deep poverty line according to consumption patterns (for reference household consisted of 2 adults and 3 children) in the Palestinian Territory in 2012 were 2,293 NIS, and 1,832 NIS respectively. The poverty rate among Palestinian individuals was 25.8: 17.8% in the West Bank, and 38.8% in Gaza Strip.

The consumption data indicated that the rate of total diffusion of poverty among Palestinian individuals in the Palestinian Territory was 25.7% in 2010: 18.3% in the West Bank and 38.0% in Gaza Strip. Income data indicated that the poverty rate among Palestinian individuals was 48.6%: 36.2% in the West Bank and 69.3% in the Gaza Strip. More significant is the fact that the consumption data indicated that 14.1% of individuals in the Palestinian Territory were suffering from deep poverty in 2010 (8.8% in the West Bank and 23.0% in the Gaza Strip), while income data indicated that 37.6% of individuals were suffering from deep poverty in 2010 (24.6% in the West Bank and 59.2% in the Gaza Strip). Also, data indicated that the poverty rate according to consumption fell by 1.9% in 2010 compared with 2009, where poverty rate was decreased from 26.2% in 2009 to 25.7% in 2010 (PCBS, 2011). Poverty has most commonly been assessed against income or consumption criteria. In this interpretation,

a person is poor only if his/her income level is below the defined poverty line, or if consumption falls below a stipulated minimum.

The statistics also showed that individuals living in refugee camps are more likely to be poor, the most disadvantaged are in large households, there is a positive relationship between poverty rates and number of children, poverty rate higher in households headed by a female, poverty rates are higher between individuals whose head of household does not participate in the labor force. Individuals in households who depended on agriculture as the main source of income suffered higher poverty (32.0%), followed by household individuals depended on remittances and aid (30.4%). The situation of individuals in households who depended on the Palestinian private sector as the main source of income are worse off than the situation of individuals in households who depended on the public sector, where the poverty rate among individuals in households who depended on the private sector (31.1%), and among household individuals depended on the public sector amounted to 19.2% (PCBS, 2011).

#### **4.2.3 Causes of Poverty**

Now that the researcher has given some features of poverty one needs to have knowledge concerning the causes of poverty in Gaza Strip. Poverty in Palestine is a result of a combination of external and internal factors. The external factors refer to the Israeli occupation and its policies against the Palestinians. Most of the studies related to poverty phenomena in Palestine linked this phenomena to what the Palestinian people exposed to since 1948 which included displacement, military occupation, settlement expelling them from their lands, prevent them to make control over their natural and human resources and prevent them to form their independent entity. In 1967, Israel occupied the West Bank and Gaza Strip and therefore took control on the entire of Palestinian territories. As a consequence of the occupation, the Palestinian economy became fully dependent on Israeli economy, the Gaza Strip and West Bank turned to be like a store for cheap labors and an open market for Israeli products. In addition, Israeli occupation imposed numerous measures aimed at preventing Palestinian to establish productive base to be the nucleus of a strong Palestinian economy and therefore this has negative impact on the overall aspects of the Palestinian living (Al-Agha and Abu

Mdallalah, 2011) .Further, Migdad et al (2013) in his study indicated that the causes of poverty in Palestine could be traced to many factors related to Israeli policy, demographic, administrative, international and economic. He further added that Israeli occupation exercised many policies against the Palestinian people that contributed to the impoverishment the Palestinian citizen, such as confiscation of hundreds of thousands of acres, control over their resources, making the Palestinian economy dependent on Israeli economy, controlling the production, making the inhabitants of Gaza Strip and the West Bank workers in the occupied territories and making the Gaza Strip and West Bank a market for Israeli products. In consistent with above studies FAO and MAS (2008) argue that the overall presence of the occupation including closures, movement and access restrictions, and obstructing the Palestinian control to their natural and economic resources limit job prospects and adds to poverty. Occupation and violence is depleting Palestinians' assets such as the loss of land and belongings.

Furthermore, there are many internal factors that cause poverty. The study carried out in1999 by Birzeit University Development Studies Program about poverty causes in Palestine from the poor people perspective using questionnaire and interview revealed that there are many reasons for poverty in Palestine. Unemployment was the most important factor that may be resulted from many reasons such as illness, low level of education and incompatibility of education with the labor market demands. The respondents also traced poverty to structural reasons which is related to the society culture, such as not allowing women to work in variety of fields, the perception of society to widow and divorced women and early marriage. The respondents also emphasized the relationship between poverty and old age. The study also highlighted that the families' low income was another reason for poverty. The study also underlined that the average monthly income for Palestinian families declined from2500 NIS to 1,200NIS in the first quarter of year 2004;it declined from 3000 NIS to 1500 NIS in the West Bank and from 1800 NIS to 1000 NIS in Gaza Strip and the income of 61.5% of the total Palestinian families have decreased by 48.7% since the beginning of the uprising causing high rates of poverty in the Palestinian territories(Al-Agha and Abu Mdallalah, 2011).According to Hillal (As cited in Sansour and Zharan, 2011), poverty as explained by a poor is a result of “unemployment, low income, absence of a [working age] male in the household, illness, disability, old age, orphanhood, large family size,

restrictions on women's freedom to work, alcohol and drug addiction and low level of education". These conditions exacerbate the economic and social vulnerability leading to poverty and the inability of the household to address basic needs.

#### **4.2.4 Poverty and Social Protection**

In this section, the researcher reviewed the literature related to the Social Protection Programs (SP) and the debate among scholars about the types of these programs and the impact of these programs in reducing poverty and this review gives a tool to contribute in evaluating the strategies adopted by the Palestinian Government, NGOs and INGOs to combat poverty. In the past two decades, social protection has evolved rapidly in developing countries in response to poverty and globalised risks such as economic shocks and threats to livelihoods (Barrientos, 2010). Social protection is perceived in different ways among the international development agencies and policy makers. For example, some view social protection as the short-term provision of safety nets to the poor to protect them from the impacts of shocks such as drought, death, or unemployment. These interventions may include cash transfers, food stamps, in-kind transfers, and fee waivers for health care and schooling. However, Devereux & Sabates-Wheeler (2004) criticized safety nets as being expensive, and welfarist leading to individual reliance on the governments, thus, directing scarce resources towards non-productive activities. This has resulted in another view of SP that provides short and long-term protection for poor people and promotes their livelihoods through economic growth (Devereux, 2001). Taking into consideration the multidimensional poverty nature including social vulnerabilities, others view social protection more broadly and see it not restricted to economic protection but also includes the social component.

The World Bank's Social Risk Management framework argues that social protection is capable of helping poor to bounce back to the productive sector through three strategies including prevention, mitigation, and coping with shocks and stress which underpin both risk and vulnerability (Holzmann and Jorgensen, 2000). In addition, by improving their risk management capacity they will be able to be involved in riskier activities that have higher return and can gradually graduate them from extreme poverty. In brief, the expanded view of social protection includes a range of

interventions by different stakeholders that seek to tackle risk and vulnerability among the poor as an important mechanism to promote risk taking by the poor to engage in productive activities and thus contribute in reducing poverty and livelihood promotion. For Devereux and Sabates-Wheeler (2004), “social protection describes all public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalized; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalized group”. Social protection is categorized between four measures including protective, preventive, promotional, and transformational (Devereux & Sabates-Wheeler 2004). Protective measures provide relief from deprivation and include social assistance for chronically poor especially people who are unable to work, other measures include free health services, social pension for the elderly poor, and social welfare. These measures are financed publicly out of the tax base or through donor and Non-Governmental Organizations (NGO) support. Preventive measures aim to alleviate poverty, and they include social insurance programs to help economically vulnerable groups to manage livelihood shocks. Such programs may include formalized systems of pensions, unemployment benefits. Measures that aim to improve real incomes and capabilities of the poorest and most vulnerable are promotive measures, and they include a range of livelihood – improving programs such as micro-finance. The purpose of promotive measures is to concentrate on instruments that aim to income stabilization, and not to broaden the scope to include all developmental initiatives. Transformative measures address concerns of social equity and exclusion. It may include actions to protect vulnerable group against discrimination, and campaigns about public issues to transform people attitudes and behaviors, thus contributing to social equity.

#### **4.2.5 Strategies by Palestinian Government and NGOs to Reduce Poverty**

Strategy according to (Elton, 2009) is a plan of action designed to achieve a particular goal. In other words, a strategy is a pattern of purposes, policies, programs, actions, decisions and or resource allocations that define what an organization is, what it does and how it does it. Sansour and Zahran (2011) stated that since the Palestinian Authority developed its 2-year strategy for state building, its institutions committed to



developing their existing programs. The Ministry of Social Affairs was responsible for the development of a National Social Protection Strategy which must work on unifying existing social protection programs, avoid duplication and ensure the adherence to a unified targeting methodology. Under this framework, MoSA also embarked on the unification of its multiple social protection programs under a single program: The National Program for Social Protection (NPSP). As a matter of fact, there are different strategies implemented by Palestinian Government and NGOs to address poverty in Gaza Strip. These strategies includes: food security programs, cash transfers, livestock production, vocational training, micro-finance projects, and cash for works. However, (as cited by Migdad et al, 2013), the indicators on the ground show that the government, NGOs and INGO poverty reduction strategies have not succeeded. The main reasons for the failure could be attributed to the Israeli policies and practices which intentionally aimed at destroying the Palestinian economy. Other reasons could be referred to the weakness of anti-poverty policies and strategies targeting poor people, fragmentation of the provided services and lack of coordination among the parties who work on the poverty reduction. The following section details some of strategies adopted by the government, PNGOs and INGOs to overcome poverty (Migdad et al, 2013, Al-Wawy, 2013 and MoSA website).

#### **4.2.5.1 Ministries and Governmental Institution**

***Ministry of Social Affairs:*** It targets poor and vulnerable families through the social protection program in which the Ministry provides cash assistance for poor families depending on their size and expenditures ranging from \$70 to \$200 every three months funded by the European Union, the World Bank, and the Palestinian National Authority for about 93,947 families in which 45,923 families live in Gaza Strip, and 48,024 families live in the West Bank.

***Caring of the Martyrs and Wounded Families Association:*** it seeks to provide a decent standard of living for the martyrs and the wounded families; provide them with a monthly allowance in accordance with the association financial system. Also, it provides them with health insurance and educational services and other social services. The number of beneficiaries from the association services is approximately 17,000 (10,000 in Gaza Strip and 7,000 in the West Bank).

***Ministry of Prisoners' and Released Prisoners Affairs:*** it offers a variety of services to the prisoners inside and outside the prison amongst are monthly salary for the prisoners, university education for the prisoners, their sons and wives, monthly salary for the released prisoners who spent more than 5 years in the prison. The Ministry also provides social protection and support for the prisoners and their families and rehabilitation services for the released prisoners to enable them to integrate into the economic and social activities.

#### **4.2.5.2 The Non-Governmental Organizations**

***Zakat Committees:*** they play an important role at the level of social protection in Palestine through its various programs to help poor families financially and in-kind. Also, it provides care services to the orphans.

***Charity Organizations:*** they play a prominent role in the relief and development activities, especially in the tight siege imposed on the Gaza Strip since long time. They provide variety of services to the Palestinian community; its budgets exceeded 800 million dollar in year 2010 which exceeded the PA budget for Gaza Strip which was estimated with 292 million dollar.

***Palestine Red Crescent Society:*** it provides health, rehabilitation and psychosocial services to vulnerable and marginalized groups, especially to the people with disabilities, the elderly, the wounded and the children who have developmental problems.

***Lending Institutions:*** They provide soft loans to poor families to empower them economically.

#### **4.2.5.3 The UN and International Organizations**

***UNRWA:*** it is one of the most important international institutions that provide social assistance to poor families in the Palestinian territories. It provides food aid, cash, primary health care services and education services for Palestinian refugees. In addition, it provides emergency assistance programs to Palestinian refugees during crises caused by war, conflict or natural disasters.

**European Union:** it provides financial and technical assistance to the Palestinian National Authority especially the programs that related to cash assistance for poor families.

**World Food Program (WFP):**it provides food aid to poor households through the Ministry of Social Affairs and Charity Associations.

**Food and Agriculture Organization (FAO):** it provides food aid to poor households through the Ministry of Social Affairs and charities.

**World Bank (WB):** it provides cash and technical assistance to the Palestinian institutions and also contributes in providing cash assistance to the poor families.

**Other United Nations organizations:** there are many UN Organizations operating in the Palestinian territories that provide social protection services, such as the United Nations Development Program UNDP, United Nations Children's Emergency Fund(UNICEF), United Nation Population Fund(UNFPA) and others.

#### **4.2.6 Sustainable Livelihood Approach (SLA)**

The sustainable livelihoods framework seeks to take a more comprehensive and integrated approach to poverty than traditional interpretations, which largely considered poverty in relation to a narrow set of indicators such as income and productivity. This approach has been applied by UNDP through the program named the "Deprived families Economic Empowerment Program"(DEEP)launched in 2007 which targets the poorest of the poor, people who fall beneath the nationally agreed poverty line as will be explained later via practical case study under this section.

##### **4.2.6.1 Definition of Sustainable Livelihood (SL)**

Krantz (2001) explains that the concept of the Sustainable Livelihood (SL) is an attempt to go beyond the conventional definitions and approaches to the poverty reduction. These has had been found to be narrow because they focused only on certain aspects and manifestations of poverty, such as low income or did not consider other aspect of poverty such as vulnerability and social exclusion. It is now recognized that

more attention must be paid to the various factors and processes which either constrain or enhance poor people's ability to make a living in an economically, ecologically, and socially sustainable manner. The SL concept offers the prospects of a more coherent and integrated approach to poverty. According to Chambers and Conway (1992) a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base. Additionally, livelihood could describe a livelihood as a combination of the resources used and the activities undertaken in order to live. The resources might consist of individual skills and abilities (human capital), land, savings and equipment (natural, financial and physical capital, respectively) and formal support groups or informal networks that assist in the activities being undertaken (social capital) (DFID, 1999). The SLA has two main components the principles and the framework. The following subsection details these components.

#### **4.2.6.2 Principles of SLA**

Like any other poverty-focused development approaches, the sustainable livelihoods approach is guided by some principles. Below are the principles of the sustainable livelihoods approach.

##### **People Centered**

Krantz (2001) explains that sustainable poverty elimination will be achieved only if external support focuses on what matters to people, understands the difference between groups of people, and works with them in a way that is congruent with their current livelihood strategies, social environment, and ability to adapt. Sustainable poverty elimination will be achieved only if external support focuses on what matters to people, understands the difference between groups of people, and works with them in a way that is congruent with their current livelihood strategies, social environment, and ability to adapt.

## **Responsive and Participatory**

For any strategy to alleviate poverty, the poor need to be active and need to participate fully. They need to be involved at all levels in managing their all development because they understand their situation better than outsiders. Poor people themselves must be key actors in identifying and addressing livelihood priorities. Outsiders need processes that enable them to listen and respond to the poor (Krantz, 2001). For example, through proper needs assessment and involving their clients in planning at all levels, NGOs can know well the programs that are needed by residents in Gaza Strip.

## **Build on People' Strengths**

Every person or society has strengths. As a result, poverty-focused development should recognize and build on people's strengths. This can start by finding out what resources are present at a particular place. When trying to find out people' strengths one needs to focus on the positive aspects than negative. Support should result in increased voice, opportunities and well-being for people, including the poor (Krantz, 2001).

## **Holistic**

The livelihoods approach attempts to identify the most pressing constraints faced by, and promising opportunities open to, people regardless of where (i.e. in which sector, geographical space or level, from the local through to the international) these occur. It builds upon people's own definitions of these constraints and opportunities and, where feasible, it then supports people to address/realize them. The livelihoods framework helps to 'organize' the various factors which constrain or provide opportunities and to show how these relate to each other (DFID, 1999).

## **Micro-Macro Link**

Links macro-micro and multilevel: requires the participation at the level of the same people involved (micro- oriented), but also considers the macro-level factors affecting livelihoods, such as national and international policies, affecting the region. This implies the involvement of both the public and private sectors to achieve

sustainability by seeking equilibrium among environmental, social, institutional, and economic aspects (Ashley and Carney, 1999).

### **Conducted in Partnership**

The government or the public sector needs to work together with the private sector (Krantz, 2001). If a proposed strategy is dependent on a range of elements working together, then a plan drawing on the expertise of all relevant sectors has to be put in place. Implementation of development requires using the strengths of different organizations, public and private, in the most effective way. Partnerships should include people and their organizations, including those for poor people. Partnerships should be transparent agreements based upon shared objectives (As cited from Nyathi, 2012). For example, NGOs in Gaza Strip can work in partnership with government institutions such Ministry of Social Affairs to deal with poverty.

### **Sustainable**

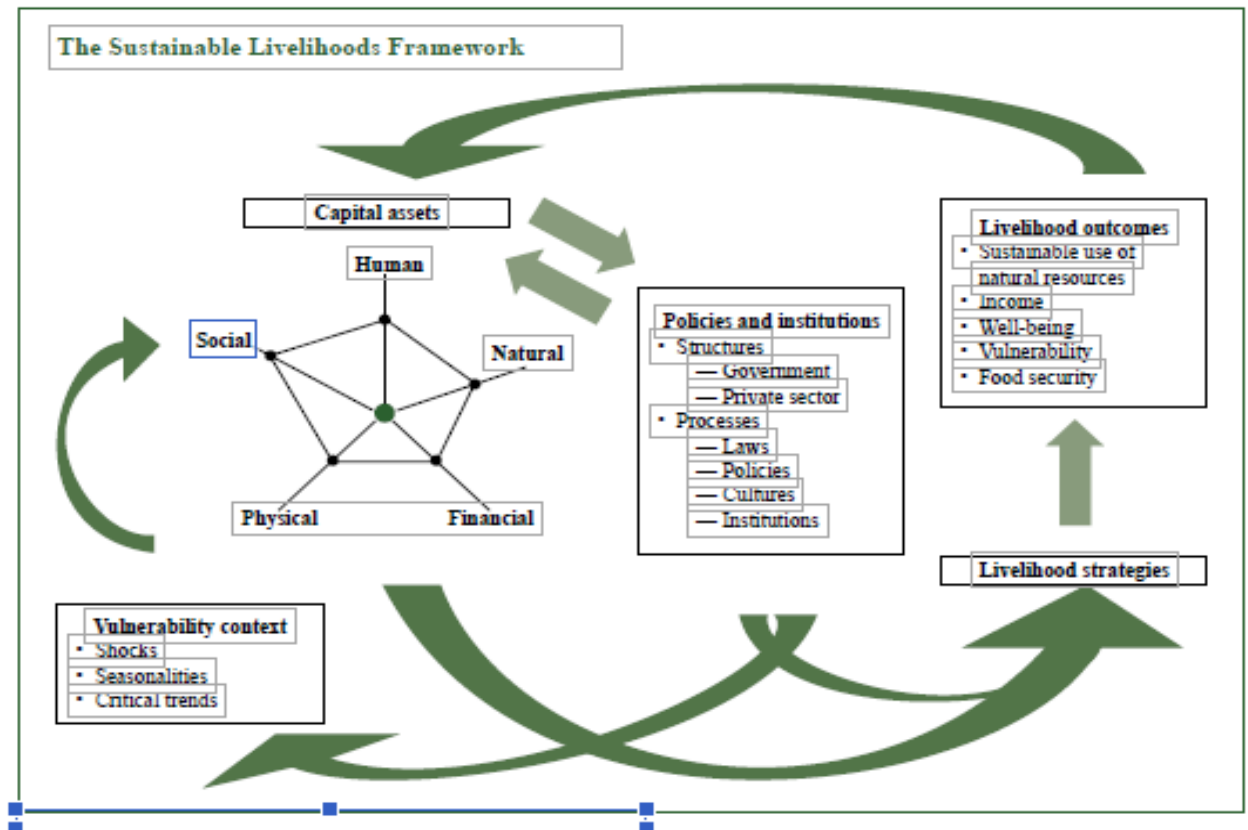
There are four dimensions to sustainability and these are; economic, institutional, social and environment sustainability (Krantz, 2001). All the changes achieved by development agents need to be sustainable. In other words development agents need to move away on bringing short-lived change in the lives of the poor. A livelihood can be classified as sustainable, when it is resilient in the face of external shocks and stresses, when it is not dependent upon external support, when it is able to maintain the long-term productivity of natural resources and when it does not undermine the livelihood options of others (Kollmair and Gamper, 2002).

#### **4.2.6.3 The SLA Framework**

The SLA framework (Figure 4.1) is presented in schematic form below and shows the main components of SLA and how they are linked. It does not work in a linear manner and does not attempt to provide an exact representation of reality. Rather, it seeks to provide a way of thinking about the livelihoods of poor people that will stimulate debate and reflection about the many factors that affect livelihoods, the way they interact and their relative importance within a particular setting. This should help in

identifying more effective ways to support livelihoods and reduce poverty. The SAL Framework comprises the following elements:

**Figure (4.1): The Sustainability Livelihood Framework**



Source: DFID 1999

## Vulnerability Context

The vulnerability context frames the external environment in which people exist. Critical trends as well as shocks and seasonality, over which people have limited or no control, have a great influence on people's livelihoods and on the wider availability of assets. Not all of the trends and seasonality must be considered as negative they can move in favorable directions, too. Trends in new technologies or seasonality of prices could be used as opportunities to secure livelihoods. Vulnerability emerges when human beings have to face harmful threat or shock with inadequate capacity to respond effectively (DFID, 1999). The Vulnerability Context forms the external environment in which people

exist and gain importance through direct impacts upon people's asset status (Devereux, 2001). It comprises **Trends** (i.e. demographic trends; resource trends; trends in governance), **Shocks** (i.e. human, livestock or crop health shocks; natural hazards, like floods or earthquakes; economic shocks; conflicts in form of national or international wars) and **Seasonality** (i.e. seasonality of prices, products or employment opportunities) and represents the part of the framework that lies furthest outside stakeholder's control (Kollmair and Gamper, 2002).

### **Livelihood Assets**

As the livelihoods approach is concerned first and foremost with people, it seeks to gain an accurate and realistic understanding of people's strengths (here called "assets" or "capitals"). It is crucial to analyze how people endeavor to convert these strengths into positive livelihood outcomes. The approach is founded on a belief that people require a range of assets to achieve positive livelihood outcomes. Therefore the SLF identifies five types of assets or capitals upon which livelihoods are built, namely human capital, social capital, natural capital, physical capital and financial capital. **Human Capital**: represents the skills, knowledge, ability to labor and good health that together enable people to pursue different livelihood strategies and achieve their livelihood objectives. **Social capital** represents networks and connections (patronage, neighborhoods, and kinship), relations of trust and mutual understanding and support, formal and informal groups, shared values and behaviors, common rules and sanctions, collective representation, mechanisms for participation in decision-making, leadership. **Natural capital** represents land and produce, water and aquatic resources, trees and forest products, wildlife, wild foods and fibers, biodiversity, environmental services. **Physical capital** represents infrastructure (transport, roads, vehicles, secure shelter and buildings, water supply and sanitation, energy, communications), tools and technology (tools and equipment for production, seed, fertilizer, pesticides, traditional technology) and finally • **Financial capital** represents: savings, credit and debt (formal, informal), remittances, pensions, wages (Serrat, 2008).



## **Livelihood Strategies**

Livelihood strategies comprise the range and combination of activities and choices that people make/undertake in order to achieve their livelihood goals. It should be understood as a dynamic process in which people combine activities to meet their various needs at different times. Different members of a household might live and work at different places, temporarily or permanent (DFID, 2000). Livelihood strategies are directly dependent on asset status and policies, institutions and processes. Hence that poor people compete and that the livelihood strategy of one household might have an impact (positive or negative) on the livelihood strategy of another household.

## **Livelihood Outcomes**

Livelihood outcomes are the achievements or outputs of livelihood strategies, such as more income, increased well-being, reduce vulnerability, improved food security and a more sustainable use of natural resources. When thinking about livelihood outcomes, the aims of a particular group as well as the extent to which these are already being achieved has to be understood.

### **4.2.7 Application of SLA in Gaza Strip**

The Deprived families Economic Empowerment Program (DEEP) was launched in 2007 with around 30 million USD commitments from the Islamic Development Bank and implemented by UNDP in partnership with the Palestinian government and 16 NGO implementing partners in the West Bank and Gaza Strip. DEEP targets the poorest of the poor, people who fall beneath the nationally agreed poverty line. It starts by providing people with a social safety net to enable them to move out of extreme poverty and reach the 'normal' poverty line and then offered microfinance services. The overall objective is to make 4,000 families economically independent. In addition, support is being provided to 12,000 poor families to enable them to access financial services from micro-finance institutions (Sansour and Zharan, 2011).

According to El-Madhoun et al (2009), DEEP is unique in that the family-centered approach allows household members to discuss and decide how best to make

progress towards greater economic independence. Fieldworkers from NGO partners are trained in sustainable livelihood approaches, with a specific emphasis on the importance of involving participant families in the design, implementation and evaluation of each intervention. They are trained to give families enough time to discuss their needs and priorities according to what DEEP describes as their ‘five capitals’ (Human, Natural, Physical, Financial and Social), based on the Sustainable Livelihoods Framework as it will be discussed detailed in the following section. DEEP considers cross-cutting issues such as the specific needs of different family members: women and men, children, youth and the elderly and people with disabilities. Women, especially those who head households, have been particular beneficiaries of DEEP’s focus on capacity-building and economic empowerment. The DEEP modality is much appreciated by beneficiary families as they are involved in every aspect of the process and feel ownership of the interventions designed to help them.

El-Madhoun et al (2009) further added that DEEP gives the families who participate in it the chance to choose from a number of employment alternatives, including agriculture, commerce, industry, services, job placements and training. A holistic approach is taken to understand the family from all angles, so that interventions can be designed as a package based on what the family owns, what it needs and the routes it must take to achieve its goals. Each intervention is given to the family as a one-time grant, with differential financial ceilings ranging from \$4,000 to \$8,000, determined by the size of family and the type of intervention. Interventions usually include a main activity, with a supporting one to reduce the margin of risk.

Because interventions are individually designed, DEEP employs a wide range of approaches. In one example – a sheep-breeding project – beneficiaries receive a number of pregnant ewes of a breed known to be highly productive, along with vaccination and veterinary services for six months, medication and animal feed. The package includes all the support necessary to help the family gain an immediate income, whilst imposing no financial stress upon them. Following the six-month period, the family should be able to sustain the project from their own income.

Another interesting intervention is a cooperative-based Food Processing Unit. The project is located in Maghazi refugee camp, one of the poorest spots in the Gaza Strip. The beneficiaries are a group of 12 women, each of whom has between five and 12 family members and an unemployed head of the family. A feasibility study and consultation process was completed, and DEEP's field analysts ensured that the unit would be a good income generation activity and business cooperative for all the women. While the partner NGO bought the equipment, the women received advanced training in baking. After the establishment of the unit, the partner NGO helped the group to manage the business, including setting up financial and administrative systems. Currently, the unit is producing cookies, pastries and pies, supplying kindergartens, school canteens and local shops in Maghazi.

Another beneficiary from DEEP runs a washing machine maintenance shop. As he lacked the technical, financial and management resources to start the business, one of DEEP's partner NGOs worked with him to set up a maintenance shop in Rafah. His income has been excellent, and he has been able to enroll his daughter in university, save money and generally feel much more secure. 'The income earned by your own hand is much better than any other kind of money,' he says. 'When you work everything tastes better. You can send your children to school and you do not feel like a beggar. I have regained my self esteem.' Another beneficiary is an entrepreneur who developed her project idea with support from a DEEP partner NGO. She started by opening a small grocery, and has been able to grow the business into a mini-market. She is managing her project with great skill, has employed her brother to work in the market at a reasonable salary. Her income has been sufficient for her to support her family and even start saving (El-Madhoun et al, 2009).

In the opinion of the researcher, DEEP's approach goes beyond traditional interventions such as short-term employment; instead, it is a *dynamic and holistic* approach that looks at the development of a family as a unit. It is *people-centered* strategy to help people decide on the best means to address their own needs, come up with their own solutions and feel ownership of their new small business or other income-generating initiatives. Its *participatory approach* makes sure that projects are tailor-made for specific communities. The *outcome* of DEEP is to overcome the long-

term problem of dependency produced by the political crisis in the occupied Palestinian territory and also to make families not only improving their livelihoods, but also beginning to perceive themselves differently as agents and producers of their own well-being. DEEP dealt with the *vulnerability context* represented in facing many challenges due to restrictions, resulting in a lack of raw materials, a rapid increase in prices and an unstable exchange rate in *partner relationship* with government (MOSA) and other NGOs working in the field of reducing poverty program in order to make sure the program operates smoothly.

### **4.3 Unemployment**

#### **4.3.1 Definition of Unemployment**

The unemployment rate is the most widely used indicator of the well-being of a labor market and an important measure of the state of an economy in general. While the unemployment rate is in theory straightforward, classifying working age persons as either employed, unemployed, or out of the labor force is difficult in practice. To facilitate comparisons of unemployment rates over time and across countries, the International Labor Organization (ILO) has since 1954 set forth guidelines for categorizing individuals into these labor market states. These have now been adopted, at least in some form, by most developed and a large number of developing countries, which has allowed the ILO to compile a sizeable number of roughly comparable labor market statistical series across countries and over time (ILO, 2007). According to the ILO guidelines, a person is unemployed if the person is (a) not working, (b) currently available for work and (c) seeking work (Shabaneh, 2005). Unemployment occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force.

#### **4.3.2 Types of Unemployment**

There are several forms of unemployment; among them are as follows (Njoku and Ihugba, 2011):

**Structural Unemployment:** Occurs when there is a change in the structure of an industry or the economic activities of the country. As an economy develops over time the type of industries may well change. This may be because people's tastes have changed or it may be because technology has moved on and the product or service is no longer in demand.

**Frictional Unemployment:** This type of unemployment is caused by industrial friction, such as, immobility of labor, ignorance of job opportunities, shortage of raw materials and breakdown of machinery, etc. Jobs may exist, yet the workers may be unable to fill them either because they do not possess the necessary skill, or because they are not aware of the existence of such jobs. They may remain unemployed on account of the shortage of raw materials, or mechanical defects in the working of plants. On average it will take an individual a reasonable period of time for him or her to search for the right job.

**Seasonal Unemployment:** This is due to seasonal variations in the activities of particular industries caused by climatic changes, changes in fashions or by the inherent nature of such industries. The rain coat factories are closed down in dry season throwing the workers out of their jobs because there is no demand for rain coat during dry season.

**Cyclical Unemployment:** This type of unemployment (also known as Keynesian unemployment or the demand deficient unemployment) is due to the operation of the business cycle. This arises at a time when the aggregate effective demand of the community becomes deficient in relation to the productive capacity of the country. In other words, when the aggregate demand falls below the full employment level, it is not sufficient to purchase the full employment level of output.

**Disguised Unemployment:** This refers to the mass unemployment and underemployment which prevail in the agricultural sector of an underdeveloped and overpopulated country. For example, if there are four persons trying to cultivate an area of land that could be cultivated as well by three persons, then only three of these persons are really fully employed and the remaining fourth person represents disguised unemployment.

### **4.3.3 Palestinian Labor Market**

The Palestinian labor market has undergone various structural changes. Foreign control of Palestine, whether it is through the British Mandate, Jordanian rule or the current Israeli occupation, has stifled natural development of the labor market. When PA took control in 1994, it was faced with a poorly regulated, highly segmented and distorted labor market. This history has led to esoteric labor market rules that have made it difficult to guide the labor market towards innovation and higher earning jobs. The Palestinian labor market remains underdeveloped and in need of major changes (MAS, 2014). The labor market suffers numerous structural issues including lack of social security for those outside the public sector, poor work conditions, low female labor force participation, work-related gender bias against females, weak unions, low union participation and the absence of a national provision of medical care and occupational safety (Kanafani, 2012).

Moreover, the Palestinian labor market has suffered extensively from imbalances between demand and supply throughout its years of occupation. Palestinian labor has consistently increased at high rates, going beyond the local market's ability to absorb it. During the 1970's and 80's, surplus employment was generally absorbed by exporting Palestinian labor to labor markets in Israel and the Gulf countries. However, in the early years of the 1990's the situation changed; as the Gulf War erupted in 1990, many Palestinians fled Kuwait and returned to the West Bank and Gaza Strip. Similarly, Israel began to reduce the number of Palestinian workers inside the Green Line and the settlements. From 1994-2000, the Palestinian labor market experienced some limited improvement with regards to absorbing Palestinian labor. The public sector began to expand and employ some of the excess labor, reconstruction projects encouraged the private sector to increase its investments in ways which exaggerate its capacity to absorb more employment, and Israel allowed more Palestinian workers to work inside the Green Line, particularly in 1998- 2000. With the eruption of the Second Intifada, the labor market expansion stopped, and labor market imbalance was exacerbated. This is mainly attributed to the vast decline in economic activity due to Israel's oppressive measures against the Palestinian people (sieges, closures, the separation barriers, restrictions on movement of people and goods, etc.) (MAS, 2007).

#### 4.3.4 Gaza Labor Market

##### 4.3.4.1 Gaza Population and Demography

As shown in Table 4.1, the total population of the Gaza Strip as of mid-2015 was estimated at 1.82 million persons of which 925 thousand males and 895 thousand females. The percentage of individuals aged (0-14) constituted 43.0 % of the total population and the elderly aged (65 years and over) comprised 2.4 % (PCBS, 2015).

**Table (4.1): Estimates of Population and Age Distribution for Gaza, mid-2015.**

Age Group	Total	Total Distribution (%)
Children 0-14	782,600	43.0
People older than 65	43,680	2.4
Working Age 15-64	993,720	54.6
<b>Totals</b>	<b>1,820,000</b>	<b>100%</b>
<b>Dependency Ratio</b>	<b>83.15%</b>	

Source: PCBS, 2015

With a working age population at only 54.6 per cent of the total, Gaza's estimated dependency ratio is a very high 83.15 per cent. The population in Gaza is currently projected to grow at about 3.5 per cent per year until 2020.

The researcher believes that the rapid population growth changes the age composition of the population, generating many dependent children relative to the number of productive working force. Such situation may work in reducing the saving rates and in turn the investment, as the immediate consumption needs of the young take priority over saving for the future. The ability to improve human capital through a broad range of programs from infant nutrition to formal secondary education may be severely limited if the population continues increasing.

##### 4.3.4.2 Labor Market Profile for Gaza

Data for mid -2015 year of labor force surveys indicate a total working-age population of about 993,720. The aggregate labor force participation rate is estimated at 44.9 per cent of the working-age population for mid-year 2015. The total labor force is

therefore estimated at about 463,700 persons. Table 4.2 shows the labor market profile for Gaza for years 2013, 2014 and mid- year 2015.

**Table (4.2): Labor Market Profile for Gaza, 2013, 2014 and Mid 2015**

<b>Labor Market Aggregate</b>	<b>Year 2013</b>	<b>Year 2014</b>	<b>Mid 2015</b>
<b>Total Population</b>	1,701,437	1,760,037	1,820,000
<b>Working-age population (15+)</b>	921,997	958,208	993,720
<b>Labor force participation rate</b>	41.20%	44.43%	44.90%
<b>Labor force</b>	379,863	425,684	463,700
<b>Employment</b>	256,028	238,915	271,300
<b>Unemployment</b>	123,835	186,769	192,400
<b>Unemployment Rate</b>	32.60%	43.88%	41.50%

Source: ILO, 2015 and PCBS, 2015

For year 2013 and 2014, there was estimated total population growth of about 3.4 per cent in 2014 relative to 2013 with nearly 4 per cent growth in the working age segment of that population (15-64 years of age). The share of the working age population that was employed or actively seeking employment rose 3.2 percentage points to 44.4 per cent. This ratio, multiplied by the total working age population yields the labor force which grew by more than 12 per cent in 2014 or about 45,820 persons. The change in labor force growth is accounted for by the change in employment (a decline of some 17,110 working people) plus the change in unemployment (an increase of about 62,935 people). The standard unemployment rate rose an estimated 11.2 percentage points to an average of 43.8 per cent in 2014, the highest annual reading on record for Gaza.

It is noteworthy that the labour force participation rate in Gaza jumped by more than 3 percentage points in 2014, an indication of increasing numbers of people entering the labor market in search of work. Employment declined by an estimated 6.6 per cent or by about 17,100, probably the combined effect of the demise of the tunnel economy and “disemployment” caused by the destruction of agricultural land, work places, capital equipment and tools and raw materials needed for the production of goods and services. The number of unemployed increased by more than 50 per cent in 2014 relative to 2013, an almost unprecedented increase in such a short period of time (ILO, 2015).



The high unemployment rates are largely due to decades of occupation and border closures that have left the people of Gaza isolated, impoverished and vulnerable. Gaza was already in the grip of a humanitarian and environmental crisis before this recent operation began. Previous military operations and a seven-year blockade had suffocated the private sector, creating widespread dependency – 80 per cent of Gaza residents were dependent on aid and 57 per cent were food insecure (As cited from Ajluni, 2015).

#### 4.3.4.3 Employment Structure in Gaza, 2013 and Mid-2015

As indicated in Table 4.3, the vast bulk of the employed in Gaza year 2013 and mid-2015 (73.3% and 79.3%) work as waged employees, with only about 17.4 % and 13.8% respectively are self-employed. The prevalence of service employment in Gaza and a relatively large public sector, combined with employment in UNRWA, largely explains the disproportionate share of waged employees. So too does the relatively small share of employment in agriculture, where large numbers of engaged unpaid family members can be found (Ajluni, 2015). The employment structure of Gaza also reflects the fact that there are few people with assets sufficient for establishing a business to employ others, given that the private sector is constricted.

**Table (4.3): Status of employed persons in Gaza, 2013 and Mid-2015**

Employment status	Year 2013		Mid-2015	
	Total	Share	Total	Share
Employer	10,909	4.1%	8,139	3.0%
Self employed	46,298	17.4%	37,439	13.8%
Wage employees	195,039	73.3%	215,141	79.3%
Unpaid family member	13,836	5.2%	10,581	3.9%
Total	<b>266,083</b>	<b>100.0%</b>	<b>271,300</b>	<b>100.0%</b>

Source PCBS, 2015 and Ajluni 2015

#### 4.3.4.4 Public and Private Sector Employment

Table 4.4 shows that the total employment in Gaza shrank by about 6.6 per cent in year 2014 relative to year 2013, public sector employment actually increased by 2.7 per cent, or an estimated 2,670 jobs. This partially explains the growth in female employment as women are disproportionately employed in the public sector—mainly as teachers and in health care professions. Because the private sector is defined to include UNRWA and non-governmental organizations, both important sources of women’s employment in Gaza, it appears most female employment growth was accounted for by those organizations. On the other hand, average employment in the private sector decreased by 12.4 per cent in year 2014 relative to year 2013, a loss of an estimated 19,780 jobs (ILO, 2015).

**Table (4.4): Employment by sector in Gaza, 2013, 2014 and mid-2015**

<b>Sector</b>	<b>Employment (Share), 2013</b>	<b>Employment (Share), 2014</b>	<b>Employment (Share), mid-2015</b>
<b>Public</b>	96,778 (37.80%)	99,448 (41.62%)	102,551 (37.80)
<b>Private</b>	159,249 (62.20%)	139,467 (58.38%)	168,749 (62.20%)
<b>Israel, Settlements</b>	0 (0%)	0 (0%)	0 (0%)
<b>Total</b>	<b>256,027 (100%)</b>	<b>238,915 (100%)</b>	<b>271,300 (100%)</b>

Source: PCBS, 2015 and ILO, 2015

#### 4.3.4.5 Private Sector Activity Employment

On a net basis, the Gaza private sector lost about 19,780 jobs in 2014 relative to year 2013 with about 23,285 losses in five major economic activities and a 3,500 gain in private services, which include employment in UNRWA, other multilateral organizations and in NGOs as shown in table 4.5. In absolute terms, construction accounts for about 56 per cent of all job losses as employment in that activity shrank by 73 per cent. This was followed by transport and communications in which 23 per cent of all job losses occurred. Employment in that activity fell by 25 per cent relative to its 2013 level. The remaining 20 per cent of job losses were distributed among commerce,

manufacturing and agriculture that collectively lost about 4,900 positions relative to 2013. The only gains came in private services which include multilateral organizations, foreign organizations and domestic and international NGOs (ILO, 2015).

**Table (4.5): Employment by Private Sector Activity in Gaza, 2013, 2014 and mid-2015**

<b>Activities (All persons)</b>	<b>Employment (Share)Year- 2013</b>	<b>Employment (Share)Year- 2014</b>	<b>Employment (Share) Mid Year-2015</b>
<b>Agriculture, hunting &amp; fishing</b>	21,566 (13.54%)	20,839 (14.94%)	18,177 (10.77%)
<b>Mining, quarrying &amp; manufacturing</b>	13,569 (8.52%)	12,004 (8.60%)	14,108 (8.36%)
<b>Construction</b>	17,850 (11.20%)	4,814 (3.45%)	11,395 (6.75%)
<b>Commerce, hotels &amp; restaurants</b>	49,280 (30.95%)	46,674 (33.47%)	55,617 (32.96%)
<b>Transportation, storage &amp; communication</b>	21,252 (13.35%)	15,903 (11.40%)	19,262 (11.41%)
<b>Services &amp; other branches</b>	35,732 (22.44%)	39,233 (28.13%)	50,190 (29.75%)
<b>Total</b>	<b>159,249 (100%)</b>	<b>139,467 (100%)</b>	<b>168,749 (100%)</b>

Source: PCBS, 2015 and ILO, 2015

#### **4.3.5 Causes of the Unemployment in Gaza Strip**

According to Migdad et al (2006), the high rate unemployment problem in the Gaza Strip can be attributed mainly to the weakness of economic activity which resulted from scarcity of the resources, high population density, limited area of Gaza Strip and to the occupation policy in strangling the Gaza Strip's economy through its control over the Gaza Strip crossings with the outside world or with the West Bank or with Israel. According to Atyani and Ali (2009) the high rate of unemployment is due to several reasons including restrictions on imports and exports which impede the job creation, low levels of private sector investment and finally the small size of most enterprises as such enterprises employ less than 20 employees and they tend to be more flexible than large enterprises and may make a significant contribution to employment at a relatively low capital cost. However, they face obstacles to their development and ability to create

jobs, including the absence of a legal framework for their operations, lack of access to markets and technology, and relatively limited financing opportunities. Furthermore, Ajluni (2015) highlighted that Hamas were elected in early 2006 and assumed control of Gaza, civil strife followed, and the Israeli blockade of the territory was expanded. This paralyzed productive economic activity and created a growing reliance on the “tunnel economy” connected to Egypt for wholesale and retail trade. That economy became a lifeline for the importation of fuel, construction materials and consumer products and, to a lesser extent, the mobility of people. The government that overthrew the elected Muslim Brotherhood Government in Egypt in mid-2013 dismantled the tunnel system connecting Gaza and the Sinai. This significantly increased unemployment rates starting in the second half of 2013. Unemployment in Gaza rose from 32.5 per cent in third-quarter 2013 to 44.5 per cent in second-quarter 2014, near its all-time highest rate. The unemployment rate for youth aged 15-29 was estimated at 63 per cent. This was accompanied by a collapse in the share of employed persons in construction, probably due to the lack of building materials previously imported from Egypt.

## **4.4 Inequality**

### **4.4.1 Definition of Inequality**

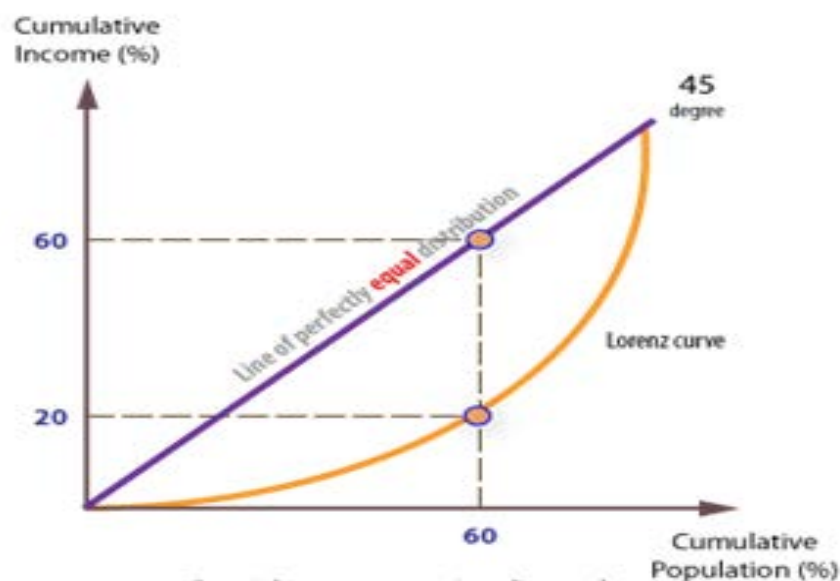
Income inequality is a measurement of the distribution of wealth across households. It is a relative comparison of the gap in household incomes across a given region, country or the world (Bradley, 2012). There are three types of economic inequality 1) income inequality which is the extent to which income distributed unevenly is a group of people 2) pay inequality which is a person’s pay is different to their income. Pay refers to payment from employment only. This can be on an hourly, monthly or annual basis, is typically paid weekly or monthly and may also include bonuses. Pay inequality therefore describes the difference between people’s pay and this may be within one company 3) wealth inequality which is wealth refers to the total amount of assets of an individual or household. This may include financial assets, such as bonds and stocks, property and private pension rights. Wealth inequality therefore refers to the unequal distribution of assets in a group of people (The equality trust website, 2015).

#### 4.4.2 Measurement of Inequality

There are two main methods for measuring inequality are the Lorenz curve and the Gini index (<http://www.economicsonline.co.uk>)

**The Lorenz curve:** it shows the % of income earned by a given % of the population. A 'perfect' income distribution would be one where each % received the same % of income.

**Figure (4.2): Lorenz Curve**



Perfect equality would be, for example, where 60% of the population gains 60% of national income. In the above Lorenz curve, 60% of the population gains only 20% of the income, hence the curve diverges from the line of perfect equality of income. The further the Lorenz curve is from the 45 degree line, the less equal is the distribution of income.

#### **The Gini co-efficient and index**

The Gini co-efficient or index is a mathematical device used to compare income distributions over time and between economies. The Gini co-efficient can be used in

conjunction with the Lorenz curve. It is calculated by comparing the area under the Lorenz curve and the area from the 45<sup>0</sup> line to the right hand and 'x' axis. In terms of the Gini index, the closer the number is to 100 the greater the degree of inequality.

#### **4.4.3 Inequality is a Vicious Cycle**

“The rich get richer, the poor get poorer” is not just a cliché. The concept behind it is a theoretical process called “wealth concentration.” Under certain conditions, newly created wealth is concentrated in the possession of already-wealthy individuals. The reason is simple: people who already hold wealth have the resources to invest or to leverage the accumulation of wealth, which creates new wealth. The process of wealth concentration arguably makes economic inequality a vicious cycle. The effects of wealth concentration may extend to future generations. Children born in a rich family have an economic advantage, because of wealth inherited and possibly education, which may increase their chances of earning a higher income than their peers. These advantages create another round of the vicious cycle (Leung, 2015).

#### **4.4.4 Trend and Impact of Inequality**

Given the scale of rising wealth concentrations, opportunity capture and unequal political representation are a serious and worrying trend. For instance (Oxfam, 2014):

- Almost half of the world’s wealth is now owned by just one percent of the population.
- The wealth of the one percent richest people in the world amounts to \$110 trillion. That’s 65 times the total wealth of the bottom half of the world’s population.
- The bottom half of the world’s population owns the same as the richest 85 people in the world.
- Seven out of ten people live in countries where economic inequality has increased in the last 30 years. ,
- The richest one percent increased their share of income in 24 out of 26 countries for which we have data between 1980 and 2012.
- In the US, the wealthiest one percent captured 95 percent of post-financial crisis growth since 2009, while the bottom 90 percent became poorer.

This massive concentration of economic resources in the hands of fewer people presents a significant threat to inclusive political and economic systems. Instead of moving forward together, people are increasingly separated by economic and political power, inevitably heightening social tensions and increasing the risk of societal breakdown (Oxfam, 2014).

Furthermore, extreme economic inequality is damaging and worrying for many reasons: it is morally questionable; it can have negative impacts on economic growth and poverty reduction; and it can multiply social problems. It compounds other inequalities, such as those between women and men. In many countries, extreme economic inequality is worrying because of the pernicious impact that wealth concentrations can have on equal political representation. When wealth captures government policymaking, the rules bend to favor the rich, often to the detriment of everyone else. The consequences include the erosion of democratic governance, the pulling apart of social cohesion, and the vanishing of equal opportunities for all. Unless bold political solutions are instituted to curb the influence of wealth on politics, governments will work for the interests of the rich, while economic and political inequalities continue to rise (Oxfam, 2014).

On the other hand, some economic inequality is essential to drive growth and progress, rewarding those with talent, hard earned skills, and the ambition to innovate and take entrepreneurial risks. However, the extreme levels of wealth concentration occurring today threaten to exclude hundreds of millions of people from realizing the benefits of their talents and hard work. Some degree of inequality may not be a problem insofar as it provides the incentives for people to excel, compete, save, and invest to move ahead in life. For example, returns to education and differentiation in labor earnings can spur human capital accumulation and economic growth, despite being associated with higher income inequality. Inequality can also influence growth positively by providing incentives for innovation and entrepreneurship and perhaps especially relevant for developing countries, by allowing at least a few individuals to accumulate the minimum needed to start businesses and get a good education (Barro, 2000).

#### **4.4.5 Causes of Income Inequality**

Income inequality is understood as the result of a combination of endogenous and exogenous factors. In this study, the researcher just focuses on the causes that related to the Gaza Strip context. The endogenous or individual-specific causes are the characteristics intrinsic to individuals and which can potentially determine their future income as the result of possession of scarce attributes which make them comparatively more market-valuable or more socially competitive. The most basic are the innate abilities embedded to each of us, intelligence, personality, charisma, or even physical attributes such as strength or skills are some of the most fundamental causes why individuals may differentiate themselves from others (Dabla-Norris, 2015). It is generally believed that innate abilities play a part in determining the wealth of an individual. Hence, individuals possessing different sets of abilities may have different levels of wealth, leading to economic inequality. For example, more determined individuals may keep improving themselves and striving for better achievements, which justifies a higher wage. Another example is intelligence. A lot of people believe that smarter people tend to have higher income and hence more wealth (Leung, 2015).

Furthermore, there may exogenous factors that cause inequality. Wages are determined by labor market. Wages are a function of the market price of skills required for a job. In a free market, the “market price of a skill” is determined by market demand and market supply. The market price of a skill, and hence the wage for the job that requires the skill, is low if a large number of workers (high supply) are willing and able to offer that skill but only a few employers need it (low demand). On the contrary, when there is low supply but high demand for a skill, the wage for a job requiring the skill goes up. Education also determines the future income level of any individual. Individuals with different levels of education often earn different wages. This is probably related to reason one: the level of education is often proportional to the level of skill. With a higher level of education, a person often has more advanced skills that few workers are able to offer, justifying a higher wage (Leung, 2015). Another reason for income inequality comes from an erroneous educational policy. A country where there is no formal coherence between the demand characteristics of the labor market and the supply of skilled force can generate important wage differentials which translate into



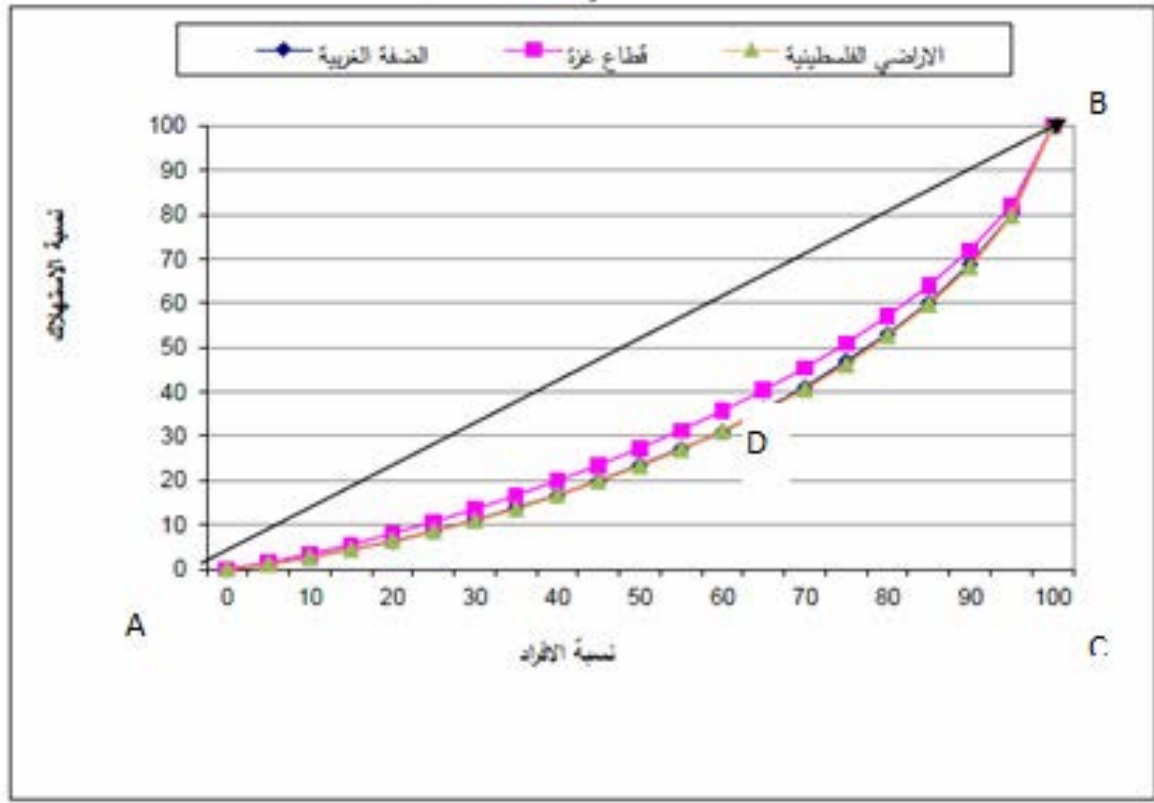
income inequality. An example could be that of an industrial region, where there is an excess supply of university graduates and a scarce supply of technical skilled workers. Here the skilled worker's deficit would have to be solved by attracting, with higher wages, workers from other regions, and the wages for the jobs destined to the overpopulated university graduates would fall (Charles-Coll, 2011). Technological progress has changed the type of labor needed to support the way we live and work and has literally created jobs where there previously were none. Technology creates the need for specialized workers who can fix cars, iPads and hospital equipment and creates a need for higher-skilled labor. To this end, technological progress is correlated with increasing income inequality (As cited by Bradley, 2012).

Gender and race are among the most frequent causes for inequality within societies, even in modern democracies. The income gap between men and women is more evident when observing the differences in wage incomes. Several studies have tried to define and measure the income differences among man and women among many others, most of them agree in the fact that this condition is the outcome of a wide set of possible causes, among the most important are the differences in educational attainment and its effects on productivity, hours assigned to work, occupational choices, motherhood and maternity leave, as well as discriminatory reasons such as professional and educational barriers, labor market bias in favor of men, motherhood penalties and occupational segregation among many others found in the literature (Charles-Coll, 2011).

#### **4.4.6 Inequality in Gaza Strip**

PCBS measured the distribution of consumption in Palestine using a sample of 4,317 households (65 percent from the West Bank and 35 percent from the Gaza Strip), with an average family size of 6 members (5.6 in the West Bank and 6.6 in the Gaza Strip). It was found that the per capita consumption among the richest 10 percent was 4.8 times the per capita consumption among the poorest 10 percent, while individuals in the richest 20 percent consume more than two-thirds of the total consumption in Palestine.

**Figure (4.3): Lorenz curve for Palestinian consumption distribution in 2011.**



Source: PCBS Survey of Household Consumption and Spending, 2011.

Figure (4.2) is a representation of Lorenz curve for Palestinian consumption distribution in 2011. Gini coefficient had a value of 0.40 (0.39 in the West Bank and 0.34 in the Gaza Strip). These figures (with Lorenz curve in the Gaza Strip closer to the diagonal line than in the West Bank) suggest that the distribution of consumption is more equitable in the Gaza Strip than in the West Bank. Two points can explain this value. First, it is likely that in Gaza, poverty is more evenly distributed among the population; and second, the abundant social food subsidies might have reduced disparity in consumption. In 2010, the Gini coefficient in Palestine was 0.41, suggesting an improvement in 2011 thanks to a decline of 0.01 in the Gaza Strip. For comparison, the last decade Gini coefficient values for income distribution in Jordan, Iraq and Egypt were 0.377, 0.309 and 0.321, respectively. Because the Gini coefficient for the distribution of consumption in the Palestine is higher than these figures (i.e., consumption is more inequitably distributed), it is probably safe to conclude that the

distribution of income in Palestine is much worse than the distribution of income in these countries (PCBS, 2011).

#### **4.5 Chapter Summary**

This chapter provides definition about the three indicators of the economic development which is the poverty, unemployment and inequality. Also, this chapter illustrates and explains the types, causes of the poverty, unemployment and inequality. Some statistical data about these indicators are presented, also. The chapter focuses on the strategies adopted by the government and some NGOs to combat poverty and shed the light on Sustainability Livelihood Approach (SLA) as integrated approach for alleviating poverty.

## **Chapter Five**

### **Research Methodology**

#### **5.1 Introduction**

#### **5.2 Research Design**

#### **5.3 Literature Review**

#### **5.4 Questionnaire Design and Content**

#### **5.5 Research Population**

#### **5.7 Validity of the Questionnaire**

#### **5.8 Reliability of the Questionnaire**

#### **5.9 Data Analysis**

## **5.1 Introduction**

This chapter describes the methodology that was used in this research. The adopted methodology to accomplish this study uses the following techniques: review of literature related to the impact of the foreign aid on economic development, information about the research design, questionnaire design, pilot study, research population, research sample size, content validity, instrument reliability and statistical data analysis, conclusion and recommendation.

## **5.2 Research Design**

The first phase of the research was thesis proposal which included indentifying and defining the problem statement, establishing the objective of the study and developing the research plan. The second phase included summary of the comprehensive literature review. The third phase included a field survey which was conducted from the point of view of the NGOs and designing the questionnaire. The fourth phase focused on the modification of the questionnaire design (pilot study) through distributing the questionnaire to experts. The purpose of the pilot study was to test and prove that the questionnaire questions are clear to be answered in a way that help to achieve the aim of the study. In addition, it was important to ensure that all information received from the NGOs and INGOs would be useful in achieving the research objectives. The questionnaire was modified based on the results of the pilot study. The fifth phase was distributing the questionnaire. The researcher distributed 165 questionnaires to the research population 150 questionnaire (91%) were received back. The sixth phase was data analysis, discussion and interpretation. Statistical Package for Social Science (SPSS) was used to perform the required analysis. The final phase included the findings summary, conclusion and recommendation.

## **5.3 Literature Review**

A comprehensive and deep literature review was conducted to indentify the variables that measure the impact of foreign aid on the economic development on Gaza Strip and hence achieving the study objectives. Relevancy, effectiveness, efficiency, impact and sustainability are five independent variables which have been used to

measure the impact of the foreign aid on the economic development as dependent variable.

#### **5.4 Questionnaire Design and Content**

Based on the review of the literature related to the foreign aid impact on the economic development, interview experts who have experience with the subject at the different levels and the researcher experience, all the information that could help in achieving the study objectives were collected, reviewed and formalized to be suitable for the study survey and after many stages of brain storming, consulting, amending and reviewing undertaken by the researcher with the supervisor a close-end questioner was developed. The researcher designed a questionnaire to collect the data about the impact of foreign aid on economic development in Gaza Strip taking into consideration that the data collected answers the research main question and meets the study objectives.

The questionnaire was designed in the Arabic language as most significant part of respondents of the target population was unfamiliar with the English language and to be more understandable. Arabic and English versions of the questionnaire are attached in Appendices 1 and 2 respectively. Unnecessary personal data, complex and duplicated questions were avoided. The questionnaire was provided with a covering letter which explained the purpose of the study, the way of responding, the aim of the research and the security of the information in order to encourage high response.

The questionnaire design composed of two main sections to accomplish the aim of the research, as follows:

**The first section** contained general information about the NGOs.

**The second section** contained 67 paragraphs distributed over 5 main fields as follows:

- Field one: it consists of 13 paragraphs; it aims at measuring the relevancy of the aided projects in reducing poverty, unemployment and inequality.
- Field two: it consists of 10 paragraphs; it aims at measuring the efficiency of the aided projects in reducing poverty, unemployment and inequality.

- Field three: it consists of 14 paragraphs; it aims at measuring the effectiveness of the aided projects in reducing poverty, unemployment and inequality.
- Field four: it consists of 15 questions; it aims at measuring the impact of the aided projects on reducing poverty, unemployment and inequality.
- Field five: it consists of 15 paragraphs; it aims at measuring the sustainability of the aided projects provided to poor people and unemployed.

## **5.5 Research Population**

The research targets the NGOs and INGOs who working in development and providing assistances to the Gaza Strip Community.

## **5.6 Research Sample**

Sampling can be defined as the process of selecting representative elements of a population for the study in research investigation. The objective of the sampling is to provide practical means for enabling the data collection and processing of the components of the research to be carried out with ensuring that the sample provides a good representation of the population. A sample is small portion of a population selected for observation and analysis. Stratified random sample is selected from the population. The researcher distributed 165 questionnaires either by hand or e-mail. The received questionnaire was 150 questionnaires so that the response rate for the questionnaire survey was 91%.

## **5.7 Validity of the Questionnaire**

To insure the validity of the questionnaire, three tests have been applied. The first test is the face validity. The second test is the criterion-related validity test (Pearson test) which measures the correlation coefficient between each paragraph in one field and the related whole field. The third test is the structure validity test (Pearson test) which is used to test the validity of the questionnaire structure by testing the validity of each field 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 similar scale.

### **5.7.1 Face Validity**

The face validity was conducted by distributing the prepared questionnaire to panels of experts having experience in the same field of the research to have their comments on the questionnaire. Six experts representing three panels were contacted to assess the questionnaire validity. The first panel, which consisted of three experts from the faculty of commerce in the Islamic university, was asked to verify the validity of the questionnaire topics and its relevance to the research objective. The second panel, which consisted of one expert in statistics, was asked to identify that the instrument used was valid statistically and that the questionnaire was designed well enough to provide relations and tests among variables. The third panel, consisted of two external experts in related thesis' field, they have been asked to verify the relevance between research hypotheses and the questionnaire.

Expert comments and suggestions were collected and evaluated carefully. All the suggested comments and modifications were discussed with the study's supervisor before taking them into consideration. At the end of this process, some minor changes, modifications and additions were introduced to the questions and the final questionnaire was developed.

### **5.7.2 Criterion-Related Validity**

Internal validity test (spearman test) is a statistical test used to insure the validity of the questionnaire. It measures the degree of correlation between each paragraph in one field to the whole field. The test results show the correlation coefficient and p-values for each field paragraphs. all the paragraphs in the five main fields are less than 0.05, so the correlation coefficient for all paragraphs are significant at  $\alpha = 0.05$ , so it can be said that the paragraphs in the all five fields are consistent and valid to be measure what it was set for.

### **5.7.3 Structure Validity of the Questionnaire**

Structure validity is the second statistical test that is used to test the validity of the questionnaire structure by testing the validity of each field 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 scale.

As shown in table 5.1 for all fields, the significance values are less than 0.05, so the correlation coefficients for all the fields are significant at  $\alpha = 0.05$ . Therefore, the fields are valid to measure what they were set for to achieve the main aim of the study.

**Table (5.1): Correlation Coefficients between each field related to the whole questionnaire.**

Field No.	Field	Pearson Correlation	P-value
1	Relevancy of the aided projects in reducing poverty, unemployment and inequality.	0.850	0.000
2	Efficiency of the aided projects in reducing poverty, unemployment and inequality.	0.775	0.000
3	Effectiveness of the aided projects in reducing poverty, unemployment and inequality.	0.787	0.000
4	Impact of the aided projects in reducing poverty, unemployment and inequality.	0.678	0.000
5	Sustainability of the aided projects in reducing poverty, unemployment.	0.868	0.000

Correlation coefficient is significant at the  $\alpha = 0.05$

## 5.8 Reliability of the Questionnaire

The reliability of an instrument is the degree of consistency which measures the attribute that is supposed to be measuring. 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.

This method is used to measure the reliability of the questionnaire between each field 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 field of the questionnaire.

Table (5.2) shows the values of Cronbach's Alpha for each filed of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha were in the range from 0.787 and 0.842. This range is considered high; the result ensures the reliability of each filed of the questionnaire. Cronbach's Alpha equals 0.842 for the entire questionnaire, which indicates an excellent reliability of the entire questionnaire.

**Table (5.2): Values of Cronbach's Alpha for each filed of the questionnaire**

<b>Field No.</b>	<b>Field</b>	<b>No. of Paragraph</b>	<b>Cronbach's Coefficient Alpha</b>
1	Relevancy of the aided projects in reducing poverty, unemployment and inequality.	13	0.787
2	Efficiency of the aided projects in reducing poverty, unemployment and inequality.	10	0.815
3	Effectiveness of the aided projects in reducing poverty, unemployment and inequality.	14	0.807
4	Impact of the aided projects in reducing poverty, unemployment and inequality.	15	0.842
5	Sustainability of the aided projects in reducing poverty, unemployment.	15	0.793
	<b>All Fields</b>	<b>67</b>	<b>0.842</b>

## 5.9 Data Analysis

The questionnaire quantitative statistical analysis was done by using the Statistical Package for the Social Sciences (SPSS) and the following statistical analyses were used:

1. Frequency and percentages
2. Pearson Correlation Coefficient
3. Spearman Correlation Coefficient
4. Cronbach's Alpha test
5. One – Sample T - test

## **Chapter Six**

### **Data Analysis and Discussion**

#### **6.1 Introduction**

#### **6.2 General Information about the Targeted NGOs**

#### **6.3 Questionnaire Analysis and Hypotheses Testing**

#### **6.4 Chapter Summary**

## 6.1 Introduction

This chapter presents the data that were collected from all the secondary sources using tables. In this chapter also the results of the questionnaire are presented and discussed. Descriptive and inferential analyses are used to analyze data to investigate the relationship between the foreign aids through the NGOs and economic development in Gaza Strip.

## 6.2 General Information about the Targeted NGOs

This section presents the general background information of the respondents and the NGOs they are working for. It includes type of organization, job title of the respondents, the NGO field of specialization, the respondent number of years in development work, the geographical areas served by the NGO and the annual budget size of the NGO.

### 6.2.1 Type of the Organization

Table 6.1 shows that (58%) of the respondents work for local NGOs, (24%) of the respondent work for foreign NGOs (Non-Arabic/ Non-Islamic) and (18%) of them work for (Foreign NGOs Arabic or Islamic). The table indicates that more than half the respondents are from local NGOs.

**Table (6.1): Organization Type**

<b>Organization Type</b>	<b>Frequency</b>	<b>Percentage</b>
Local NGO	87	58
Foreign NGOs(Non-Arabic/ Non-Islamic)	36	24
Foreign NGOs ( Arabic or Islamic)	27	18
<b>Total</b>	<b>150</b>	<b>100</b>

### 6.2.2 Job Titles of the Respondents

Table 6.2 shows that (16.67%) of the respondents are executive managers, (30.67%) are program managers, (16.67%) are project manager, (25.33%) were project

coordinators and (16.67%) are financial manager. The table shows that there is a diversification in the respondents' job titles.

**Table (6.2): Job Titles of the Respondents**

<b>Job Title</b>	<b>Frequency</b>	<b>Percentage</b>
Executive Manager	25	16.67
Program Manager	46	30.67
Project Manager	25	16.67
Project Coordinator	38	25.33
Financial Manager	16	11.67
<b>Total</b>	<b>150</b>	<b>100%</b>

### 6.2.3 NGOs Field of Specialization

Table 6.3 shows that (37.29%) of the targeted NGOs work in development, (34.65%) of them work in relief and charity work, (14.19%) of them work in health, (10.56%) of them work in education, and finally (3.30%) of them work in democracy and human rights. It worth mentioning that the sample number is 150 NGOs and the frequency shown in table 6.3 is 303 which means that NGOs work in more than one fields. The tables shows most of the target NGOs work in the field of development which means that the respondents able to provident informant response about the foreign aids and its impact on economic development.

**Table (6.3): Working Field of the NGOs**

<b>Job Title</b>	<b>Frequency</b>	<b>Percentage</b>
Development	113	37.29
Relief/ Charity	105	34.65
Health	43	14.19
Education	32	10.56
Democracy and Human Rights	10	3.30
<b>Total</b>	<b>303</b>	<b>100</b>

#### 6.2.4 Years of Experience in Development Works

Table 6.4 shows that (37.33%) of the respondents have less than 10 years experience in the development works, (51.33%) of them have more than 10 years experience while 11.33% have of them have more than 20 years experience in the field of development works. The table indicates that (62.66%) of the respondents have more than 10 years experience in the development works which means that data collected is more representative. As shown in the table most of the respondent have good experience to provide informant responses.

**Table (6.4): Respondents' Years of Experience in Development**

<b>Years of Experience</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 10 years	56	37.33
From 10 years to 20 years	77	51.33
More than 20 years	17	11.33
<b>Total</b>	<b>150</b>	<b>100</b>

#### 6.2.5 Governorates which are served by NGOs

Table 6.5 shows that (15.33%) of the targeted NGOs work in Gaza, (8.0%) work in North Governorate, (2.0%) of them work in Middle Area, (4.67%) work in Khanyuins, (5.33%) of them work in Rafah while the majority of the NGOs (97.0%) work in all the governorates. This means that the selected samples (targeted NGOs) cover all the Gaza strip governorates so that generalization about the whole population could be established.

**Table (6.5): Governorates which served by the NGOs**

<b>Governorate</b>	<b>Frequency</b>	<b>Percentage</b>
Gaza	23	15.33
North	12	8
Middle Area	3	2
Khan Younis	7	4.67
Rafah	8	5.33
NGOs work in all Governorates	97	64.67
<b>Total</b>	<b>150</b>	<b>100</b>

### 6.2.6 NGOs Annual Budget

Table 6.6 shows that the annual budget for most of the NGOs (77.33%) is less than million USD, (17.33%) of them have an annual budget more than 10 million USD while only (5.33%) of them have an annual budget more than 30 million USD. This table reveals that some NGOs received huge fund from the donors.

**Table (6.6): NGOs annual budget**

<b>Governorate</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 10 million (USD)	116	77.33
More than 10 million (USD) and less than 30 million (USD)	26	17.33
More than 30 million (USD)	9	5.33
<b>Total</b>	<b>150</b>	<b>100</b>

### 6.3 Questionnaire Analysis and Hypotheses Testing

One sample t-test has been used to determine the mean values of each paragraph in the questionnaire and also to testing the research hypotheses. One sample t-test is a statistical procedure used to examine the mean difference between the sample and the known value of the population mean. In such test, a random sample is drawn from the population and then the sample mean compared with the population mean and make a statistical decision as to whether or not the sample mean is different from the population mean.

In this research, the sample mean value of each paragraph is calculated and the mean value of each field is calculated, as well. Then, the calculated mean value is compared with hypothesized value 60 which is considered the neutral value. So, if the mean value of the paragraph is greater or less than the hypothesized value 60 and 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 60 at then the null hypothesis will be rejected. 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 60.

The null hypothesis: there is significance relationship between foreign aid and the economic development at significance level  $\alpha = 0.05$ .

The alternative hypothesis: there is no significance relationship between foreign aid and the economic development at significance level  $\alpha = 0.05$ .

### **6.3.1 Relevancy of the Aided Programs/ Projects to Reduce Poverty, Unemployment and Inequality**

The relevancy field contains 13 paragraphs pertinent to the relevancy of the foreign aided programs/ projects in reducing poverty, unemployment and inequality. The respondents were asked to rate each paragraph on a scale 0-100% based on their NGOs practices. Table 6.7 presents the results.

**Table (6.7): The Results of the Relevancy of the Aided Programs/ Projects to Reduce Poverty, Unemployment and Inequality.**

<b>No.</b>	<b>Paragraph (Independent Variables)</b>	<b>Mean</b>	<b>T-test Value</b>	<b>P-Value (Sig.)</b>	<b>Rank</b>
1	Foreign aid projects to NGOs respond to national development plan to reduce poverty and unemployment.	49.90	-6.16	0.000	7
2	Foreign aid projects respond to NGO strategic plan to reduce poverty and unemployment.	56.0	-1.90	.0590	5
3	Foreign donors provide fund to NGOs who have qualified staff in formulating the projects related to reducing poverty and unemployment.	66.20	4.89	.0000	3
4	Foreign donors select NGOs which have good reputation and have clear financial and administrative system.	70.13	7.96	.0000	1
5	Foreign aid projects respond to the real needs of poor and unemployed people (people centered).	53.47	-3.27	.0010	6
6	Foreign donors promote preparing feasibility study for the projects provided to poor people unemployed.	47.70	-7.70	0.000	8
7	Foreign aided projects target vulnerable, poor, elders, women breadwinner and people with disabilities (equality).	68.77	5.64	0.000	2
8	Foreign donors encourage NGOs to cooperate with local community and government in formulating projects to reduce poverty and unemployment.	47.50	-6.18	0.000	9



No.	Paragraph (Independent Variables)	Mean	T-test Value	P-Value (Sig.)	Rank
9	Foreign aid projects activities and outputs are consistent with the overall goal to reduce poverty and unemployment.	63.60	2.06	0.040	4
10	Foreign donors do not impose their agenda and policies on the NGOs related to programs/project of reducing poverty and unemployment.	31.20	-23.96	.0000	10
11	Foreign aids that offered to poor people are not used for relief works and consumption.	15.63	- 58.02	0.000	13
12	Foreign donors do not determine the projects/programs types and NGOs design proposals in complete compliance with economic development vision.	18.56	- 50.97	.0000	12
13	Foreign donors do not impose their paradigm and models on NGOs to reduce the poverty and unemployment.	25.26	- 34.35	0.000	11
	<b>Total of the Field</b>	<b>47.22</b>	<b>-12.30</b>	<b>.0000</b>	

As shown in table 6.7, the mean value for paragraph 4 "Foreign donors select NGOs which have good reputation and have clear financial and administrative system" is 70.13 and the 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 60 which indicates that the respondents agree that foreign donors provide aids to NGOs which have good and clear financial and administrative system. The researcher agrees with the respondents and believes that foreign aids will be more effective and has a positive impact on the economic development when the recipients NGOs have good and transparent administrative and financial system and will have no or little effect on the absence of poor system.

The mean value for paragraph 7 "Foreign aided projects target vulnerable, poor, elders, women breadwinner and people with disabilities" is 68.77 and the 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 60 which means that the respondents to some extent agree that foreign aid targets vulnerable, poor, elders, women breadwinner and people with disabilities. The researcher agrees with the respondents and believes that targeting these categories will work in redistribution of the aids benefits to those marginal people and will also reduce the unemployment and poverty.

The mean value for paragraph 11 "foreign aids that offered to poor people are not used for relief works and consumption" 15.63 P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which reveals that the respondents highly agree that the foreign aids that offered to poor people are more used for relief works and consumptions. This finding is consistent with the finding of the study conducted by Sarsour et al (2011) as he indicated that it might be safe to conclude now that international aid, although vital in crisis relief, income creation and mitigating the negative effects of political unrest and economic distress, falls short of achieving sustainable development. The analysis of aid allocation among sectors revealed that aid comes in most part for purposes of crisis relief and meeting short term needs. Also, findings indicate that aid is mostly consumed and not invested, bearing no long term significance. Aid has not managed to decrease poverty or unemployment significantly over the long run and the Palestinian economy remains aid dependent.

The mean values for the paragraphs 12 and 10 "Foreign donors do not determine the projects/programs types and NGOs design proposals in complete compliance with economic development vision." and "Foreign donors do not impose their agenda and policies on the NGOs related to programs/ project of reducing poverty and unemployment" are 18.56 and 31.20 respectively and p-values = 0.000 which are smaller than the level of significance  $\alpha = 0.05$ , then the means of these two paragraphs are significantly less than the hypothesized value 60 which indicates that respondents highly agree that foreign donors determine the projects/programs types and NGOs design proposals accordingly in complete absence of economic development vision and also foreign donors impose their agenda and policies on the NGOs related to programs/ project of reducing poverty and unemployment. Based on the researcher experience, some NGOs were established with good intentions to serve the community. However, international donors often impose funding and program priorities, leaving NGOs with no choice other than to chase funding and adjust their strategic priorities accordingly. As a consequence of chasing the funding, NGOs shift their focus and expertise to sustain themselves, moving even further from work they do well to work they do not have good experience about it. Christopher (2010) argues that even though the donors

distance themselves from imposing projects on communities, the donors know that they reserve a right to reject or accept a given NGO project based on whether it “fits in” or does not fit in the donor’s policy objective. This also means that, because the local organization needs the money to survive, it has no choice but fit in the donor’s policy objectives even when they disagree with those objectives. Lubad in his study (2004) concluded that international aid to the Palestinian people came primarily for political considerations, in the belief that aid will be one factors of stability in the region. The international donors devoted most aids to secondary and non-productive projects rather than funding productive sector that led to the economic development. Lubad added that during the period 1994 to 2004, the percentage which was allocated for technical assistance reached to 24% from the total fund provided to the Palestinian people and this is considered wasting of the resources.

The mean value for paragraph 6 "Foreign donors promote preparing feasibility study for the projects provided to poor people unemployed" is 47.70 and p-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents highly agree that foreign donors do not encourage preparing feasibility study for the projects provided to poor people and unemployed. The researcher totally agrees with the respondents based on his experience with the NGO sector. Many aided projects that have been provided to the poor people and unemployed were failed because they were not technically and financially feasible.

The mean value for paragraph 8 " Foreign donors encourages NGOs to cooperate with local community and government in formulating projects to reduce poverty and unemployment" is 47.50 and P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which reveals that the respondents agree that the foreign do not promote NGOs to cooperate with the local community and government in designing the project related to reducing the poverty and unemployment.

Generally, the mean value for the field" Relevancy of the Aided Projects to Reduce Poverty, Unemployment and Inequality" is 47.22, p-value = 0.000 which is

smaller than the level of significance  $\alpha = 0.05$ , then the mean of this field is significantly less than the hypothesized value 60 which means that the null hypothesis is rejected for the sake of the alternative hypothesis, hence the respondents agree that the foreign aided projects/programs are not relevant to reduce poverty, unemployment and inequality.

In fact there are many studies concluded that foreign aid projects are not relevant to the reduce poverty and unemployment in the developing countries rather it serves the priorities and benefits of these donors countries. Abdel Karim (2002) concluded that NGOs are still forced to "go where money is" regardless whether the projects priorities are identified in the national plan or suit NGOs long-term strategic plans. This approach led NGOs into an endless cycle of resources dependency and consumers for the resources rather than generator of additional ones. International donors has been motivated by self-interest tempered with a dash of idealism, and historically has been in the helping of poor people but has been structured in such a way as to bring benefits to the donors countries. Khalil Nakleh has argued that, since the beginning of the peace process, the aid agenda has been highly political and associated with donor objectives and preferences. Thus, the political objectives of each donor were always reflected in the timing and nature of aid. Conditional aid to the PNA was also intimately tied to progress in the peace process and, in many cases; it was to achieve specific political goals instead of aimed primarily at solving concrete social and economic problems.

Further on and as cited by Hamdan (2011), donors remained the highest decision maker in the realm of planning, including the definition of project funding priorities. This translates into the direct supervision of the program and project planning phases, into deciding which projects are to be funded, with how much money and according to which conditions. Further, Shbair (2003) states in her study that majority of Palestinian NGOs have no comprehensive plan, they have managerial and professional problems, even those NGOs which have strategic plans often they are prepared as a response to the donor countries demand often these plans are not their own, vision, strategy and goals. Based on the researcher point of view, most of the programs/ projects implemented by NGOs do not help the poor to move out of the poverty trap nor creating sustainable and decent jobs of the unemployed. In fact, foreign

donors impose their agenda and paradigms to local NGOs without preliminary need assessment to identify and determine the real development priority needs. As a result, funds are uselessly invested in projects that do not bring benefits to the poor people and unemployed; it is just a waste of the scarcity of resources. Furthermore, NGOs do not have clear strategies for combating the poverty, reducing unemployment and inequality and if they have; these strategies do not really address the needs of the poor people and unemployed.

### **6.3.2 Efficiency of the Aided Projects to Reduce Poverty, Unemployment and Inequality**

The efficiency field contains 10 paragraphs pertinent to the efficiency of the foreign aided projects/ programs in reducing poverty, unemployment and inequality. The respondents were asked to rate each paragraph on scale 0-100% based on their NGOs practices. Table 6.8 presents the results.

**Table (6.8): The Results of the Efficiency of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality.**

<b>No.</b>	<b>Paragraph</b>	<b>Mean</b>	<b>T-test Value</b>	<b>P-Value (Sig.)</b>	<b>Rank</b>
1	Foreign donors encourage using locally-made materials in projects to reduce poverty and unemployment.	51.87	-4.66	0.000	7
2	Foreign donors promote export encouraging policy especially the final products in order to reduce poverty and unemployment.	35.10	-16.28	.0490	10
3	Foreign donors encourage importing raw materials in order to increase the added value and consequently reduce poverty and unemployment.	37.53	-16.26	.0000	8
4	Foreign donors promote integrated projects for example the output of the agricultural sector used as input for industrial sector.	35.23	-15.99	.0000	9
5	Foreign donors encourage relying on expertise of Palestinian firms to implement projects in order to reduce unemployment.	66.57	3.67	.0010	3
6	Foreign donors encourage NGOs to best utilization of fund- matching the inputs (labors, money, time/effort) and the output.	66.30	4.29	0.000	4
7	Foreign donors encourage NGOs to	74.20	15.22	0.000	1

No.	Paragraph	Mean	T-test Value	P-Value (Sig.)	Rank
	implement the projects on time in order to save money.				
8	Foreign donors encourage NGOs to implement the projects (goods/services) provided to poor and unemployed with high quality.	70.53	9.18	0.000	2
9	Foreign donors allocate high portion of the aids on the administrative costs(cars, furniture, and travel) to NGOs staff instead of serving poor people and unemployed.	61.67	1.02	0.308	5
10	Foreign donors allocate high portion of the aids on the salaries and wages of the NGOs staff instead of serving poor people and unemployed.	61.60	1.10	0.2710	6
	<b>Total of the Field</b>	<b>56.06</b>	<b>-4.35</b>	<b>.0000</b>	

As shown in table 6.8, surprisingly, the responses to the paragraphs 7 and 8 "Foreign donors encourage NGOs to implement the projects on time in order to save money " and " Foreign donors encourage NGOs to implement the projects (goods/services) provided to poor with high quality in order to save money" were considerably better than expected. The mean values for these two paragraphs are 74.20 and 70.53 respectively and the p-values = 0.000 which are smaller than the level of significance  $\alpha = 0.05$ , then the means of these two paragraphs are significantly higher than the hypothesized value 60 which shows that the respondents agree that foreign donors encourage completion the aided project on time and also promote that the goods and services provided to poor people and unemployed with good quality. The researcher believes that timely completion of the project is considered as a major criterion of the project success. Project delay causes cost overrun and hence wasting financial resources on unnecessary overhead costs that could be utilized for serving the poor people and unemployed. Further, the researcher believes that the majority of aided projects are not completed on time because of bad management and the foreign donors do not have any problem to extend the project duration even more than its original contract time without any liability to the employees who are responsible for the projects delay. This issue has made the NGOs employees not to feel with the value of time and also do not motivate the employees to improve their skills in the project management and created a careless culture. On the other hand, good quality of the goods, works and services provided to

the poor and unemployed is very critical and can guarantee the project success and hence sustainability. Some of the aided projects to the poor people and unemployed such as sewing machines and equipment for food manufacturing provided for poor people and unemployed were not of good quality and formed financial burden for them. In fact, there no evidence in the literature that support the respondents opinion regarding that international donors encourage completing the project on time and with good quality.

The mean value for paragraph 2 "Foreign donors promote export encouraging policy especially the final products in order to reduce poverty and unemployment" is 35.10 and  $p\text{-value} = .0490$  which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents agree that foreign donors do not implement projects that promote export encouraging policy. The researcher do agree with the respondents and believes that supporting the export sectors is considered one of the main driver in the economic development cycle as this will generate employment opportunities which in turn will generate saving and investment in additional projects; hence this will lead to alleviation of poverty and consequently reduce the inequality. The exporting policy should depend on light and medium industry such as clothes, shoes, food processing and fabrics that depend basically on the labor-intensive strategy.

The mean value for paragraph 4 "Foreign donors promote integrated projects for example the output of the agricultural sector used as input for industrial sector" is 35.23 and  $p\text{-value} = .0000$  which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which reveals that the respondents are highly disagree that foreign donors promote integrated projects. In the researcher's point of view, most of the foreign aids are project oriented and fragmented as there is no integration between sectors. Linkage the output of one sector with the input of other sector through the supply chain integration increases the demand for workers and in turn reducing poverty and unemployment.

The mean values for paragraphs 9 and 10 "Foreign donors allocate high portion of the aids on the administrative costs (cars, furniture, and travel) to NGOs staff instead

of serving poor people and unemployed and "Foreign donors allocate high portion of the aids on the salaries and wages of the NGOs staff instead of serving poor people and unemployed 61.67 and 61.60 and the p-values 0.308 and 0.2710 respectively higher than the level of significance  $\alpha = 0.05$ , then the means of these two paragraphs are insignificantly higher than the hypothesized value 60 which indicates that respondents were unable to provide a clear opinion on whether or not foreign donors allocate high portion of the aids on administrative costs, salaries and wages. The researcher agrees with the respondents and believes that high percentage of the Gaza people are poor and unemployed and therefore assisting these people shall be the main objectives for the NGOs who work in the field of development. Success of the NGOs should be viewed in the ability of these NGOs to provide assistance to as many of the poor and unemployed as possible and also should be viewed in relation to the achievement of the project objectives. Within this perspective, the operational costs that have to be met for implementing the project activities and hence achieving these objectives (reduction of poverty and creating job opportunities) should be of main importance. On the other hand, the administration costs should be kept to the minimum and the employees' salaries and wages should be within the salary scale of the government. In his article about the salaries of some employees on the Palestinian governmental Institutions and NGOs, Soliman (2015) mentioned that Palestinian Authority (PA) occupies second-to-last in the world in the absence of social justice in distribution of the national income between the employees in top management level and employees in the low management level. In some cases, the salary of some employees in top management level reaches US\$ 35 thousand which is equivalent to 72 times the minimum wage and equivalent to 280 times the monthly income of the Palestinian per capita which is about \$ 120 monthly (annual US \$ 1400). This indicates that the social justice is crippled. He further added that it has been noticed that the salary of the executive managers of some NGOs are not published to the public. By reviewing the salary scales for sample of Palestinian NGOs, it has been found that the salary of their employees are much higher compared with that of in the governmental organizations and even the salary of some executives manager of NGOs exceeds salary of a minister in the government. This encourages many of Palestinian competent employees working in government to move to NGOs in light of the great disparity between the salaries in both sectors. Also, it has been found



that there is no legal framework regulating the issue of salaries and wages in the Palestinian NGOs; it is subject to supply and demand and there is no uniform model or a general framework for payroll and wages in NGOs. Generally, there is certainly a need that financial issue to be rearranged, to control the financial deficit, to avoid further wastage of the public resources and to recover the value of social justice.

The mean value for paragraph 6 "Foreign donors encourage NGOs to best utilization of fund matching the inputs (labors, money, time /effort) and the output" is 66.30 and the P-values = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly higher than the hypothesized value 60 which shows that the respondents agree that foreign donors encourage best utilization of money. The results to this paragraph tend to contradict those obtained in paragraphs 9 and 10. In fact, there is no evidence in the literature supporting the respondents' opinion. However, based on the researcher point of view, NGOs do not use effective management system to utilize the available scarce resources as in put (costs) of a particular program or projects to get the greatest benefits. NGOs do not have the capacity to assess cost-effectiveness in poverty and unemployment-focused projects and in particular if the project objectives are non-quantifiable.

The mean values for the paragraphs 1 and 3 " Foreign donors encourage using locally-made materials in projects to reduce poverty and unemployment" and Foreign donors encourage importing raw materials in order to increase the added value and consequently reduce poverty and unemployment" are 51.87 and 37.53 and the and the P-values = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of these paragraphs are significantly less than the hypothesized value 60 which shows that the respondents highly disagree that foreign donors encourage using locally-made materials nor encourage importing raw materials to reduce poverty and unemployment. The researcher highly agrees with the respondents and believes that using locally made materials in projects will support the local industry and economy and also will encourage the local factories to improve their products to meet the high standards. So, using locally made materials in projects will help in creating new job opportunities. Furthermore, importing raw materials rather than importing final products will help in

increasing the manufacturing and production process and hence increasing employability opportunities.

The mean value for paragraph 5 "Foreign donors encourage relying on expertise of Palestinian firms to implement projects in order to reduce unemployment" is 66.57 and the P-values = .0010 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly higher than the hypothesized value 60 which points out that the respondents agree that Foreign donors encourage relying on expertise of Palestinian firms to implement projects in order to reduce unemployment. This contradicts with the finding of the study conducted by Hamdan (2011) which mentioned that the donors countries are as much responsible as Israel for deterioration of the economy and the mislead development in the Occupied Palestinian territories, since they played their part in wasting huge amounts of money designated for Palestinian development, through tying the disbursement of aid to the use of European equipment and technical expertise. The European Union, for example, requires that all equipment needed to execute the projects should be brought from European Union countries as a precondition for funding. The percentage of technical aid differs from one state to another; but in the Palestinian case it reaches 85% up to 90%; sometimes the salary of the expert from the European Union reaches four times the highest salary in the institutions of the PA. Most frequently, the costs of equipment and salaries of experts reached 70% of the total amount of aid; the salaries of advisors and experts alone made up a fifth of total aid, whereas the Palestinians' share of the contribution was merely tons of papers filed in the offices and closets.

Generally, the mean value for the field " The Efficiency of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality " is 56.06, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this field is significantly less than the hypothesized value 60 which mean that the null hypothesis is rejected for the sake of the alternative hypothesis, hence the respondents agree that the foreign aided projects/programs are not efficient to reduce poverty, unemployment and inequality.

The researcher believes that the aided programs/ projects are not economically viable to reduce poverty, unemployment and inequality but instead the scarce resources are wasted on nonproductive activities. The foreign donors do not encourage using locally-made materials and export policy. The foreign donors do not encourage importing the raw materials to increase the added value of the Palestinian industry; do not promote integrated projects and also allocating high portion of the aid for administrative costs and salaries which increase the inequality. This finding to far extent consistent with the study finding conducted by MAS (2014) in which it has been argued that due to the specific situation of Palestine in receiving high donor aid, part of which is spent through NGOs, wage gaps between NGOs and other employers tend to vary widely. However, specific data from NGOs on employee pay are not available as these rarely disclose any financial information. From funds received from abroad for programs and projects they remunerate their employees, especially higher level management, at rates significantly higher than in the public or the private sector. Pay may be as much as six times greater. The result is a wage inflationary effect, as can be observed in price rises in cities that house donors and NGO workers, especially Ramallah and Jerusalem and in real estate costs and rents. This further deepens the segmentation of the labor market, with NGOs offering jobs that are highly skilful and that pay far higher wages on average than in the rest of the economy. As cited by Riddle (2014) that a report for the EU, which accounts for about 65% of all ODA, suggests that the inefficiencies in terms of donor proliferation and the fragmentation of aid add between €2 billion and €5 billion to the costs of providing aid, adding to the evidence of the current inefficiencies of official aid.

### **6.3.3 Effectiveness of the Aided Projects to Reduce Poverty, Unemployment and Inequality**

This effectiveness field contains 14 paragraphs pertinent to the efficiency of the foreign aided programs/ projects in reducing poverty, unemployment and inequality. The respondents were asked to rate each paragraph on scale 0-100% based on their NGOs practices. Table 6.8 presents the results.

**Table (6.9): The Results of the Effectiveness of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality.**

<b>No.</b>	<b>Paragraph (Independent Variables)</b>	<b>Mean</b>	<b>T-test Value</b>	<b>P-Value (Sig.)</b>	<b>Rank</b>
1	Foreign donors promote NGOs using labor-intensive program in order to reduce unemployment and poverty.	54.93	-3.44	0.001	3
2	Foreign donors promote microfinance projects (industrial, agriculture and service) to poor people and unemployed.	54.77	-4.07	.0000	4
3	Foreign donors encourage adopting import substitution policy to reduce unemployment and poverty.	35.77	-15.92	.0000	9
4	Foreign donors encourage NGOs to import capital goods to stimulate the economic growth and in turn reducing poverty and unemployment.	35.77	-15.65	.0000	10
5	Foreign donors encourage NGOs to cooperate with government, private sectors and other stakeholders in implementing projects to reduce poverty and unemployment.	48.43	6.20	.0000	6
6	Foreign donors encourage professional skills training to the new graduates to enable them join the open market (employment).	65.97	4.25	0.000	2
7	Foreign donors encourage vocational training to breadwinner women, disabled and vulnerable to qualify them for the labor market.	66.13	4.31	0.000	1
8	Foreign donors promote productive projects that benefit poor people and unemployed.	42.40	-10.38	0.000	7
9	Foreign aids are not used as a policy tool for dominance but rather provide real aids for poor people and unemployed.	33.30	-18.05	0.000	12
10	Foreign donors focus more on the project outcomes that work in reducing poverty and unemployment rather than process and procedures.	37.46	-13.72	0.000	8
11	Foreign aids are not fragmented and there is coordination and integration between the sectors to combat poverty and unemployment.	22.63	-33.81	0.000	14
12	Foreign donors provide sufficient amount that is effective in reducing poverty and unemployment.	33.66	-18.70	0.000	11
13	Foreign donors impose flexible criteria that help the NGOs to be effective on poverty eradication.	53.66	-4.16	0.000	5
14	There is coordination among the foreign donors relating to providing the assistance to poor	30.66	-20.34	0.000	13

No.	Paragraph (Independent Variables)	Mean	T-test Value	P-Value (Sig.)	Rank
	people and unemployed which lead to the optimum utilization of the resources scarcity.				
	<b>Total of the Field</b>	<b>43.96</b>	<b>-20.99</b>	<b>.0000</b>	

As shown in table 6.9, the mean value for paragraph 7 " Foreign donors encourage vocational training to breadwinner women, disabled and vulnerable to qualify them for the labor market" is 66.13 and P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly higher than the hypothesized value 60 which indicates that the respondents agree that foreign donors encourage vocational training to breadwinner women, disabled and vulnerable to qualify them for the labor market. It is worth mentioning that increasing productive capacity and well-being of vulnerable groups is not only critical for initiating strong economic growth, but it is vital for social and political stability and promotion of human rights. By not generating appropriate employment for women, youth, elderly, the disabled and other vulnerable groups, the global economy is losing immense productive potential. Grundmanova (2012) highlighted that the NGOs participating in the High-level Segment of ECOSOC Substantive session 2012 unanimously agree that political and economic empowerment of women is vital for the eradication of poverty and attainment of inclusive, sustainable and equitable growth. "The cultural, traditional and normative practices that ignore inequality, discrimination and violence against women and girls must be challenged if we are to achieve the MDGs. Grundmanova (2012) further added that despite the significant progress made in the past decades towards the promotion of women, a huge gap between genders persists to this day. Close to 60% of the world's working poor are women. Persons with disabilities are more vulnerable and more often subjected to poverty. One fifth of the world's poorest have some kind of disability. Empowering people with disabilities and including them in the society and workforce would generate benefits to the economy and the society as a whole. According to ILO, excluding disabled persons from work in terms of their productive potential, the cost of disability benefits, and effects on their families and caregivers, may cost governments between 1 to 7% of GDP. Further, the elderly do not possess resources to provide for themselves and slip into poverty, frequently becoming a burden

to their families. "Longevity will continue to increase placing greater pressures on family structures and those in the role of caregiver for ageing parents and grandparents. Such changes in living arrangements with more multiple-generation households can create financial burden and increase the rates of poverty across such family groups.

The mean value for paragraph 6 "Foreign donors encourage professional skills training to the new graduates to enable them join the open market" is 65.97 and P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly higher than the hypothesized value 60 which indicates that the respondents hold optimistic view that foreign donors encourage professional skills training to the new graduates to enable them join the open market. The researcher to some extent agree with the respondents as there are some attempts from international donors to provide on the job training and mentoring for fresh university graduates to gain practical career skills as an important step towards finding permanent employment.

The mean value for paragraphs 14 and 11 "There is coordination among the foreign donors relating to providing the assistance to the poor people and unemployed which lead to the optimum utilization of the resources scarcity and "Foreign aids are not fragmented and there is coordination and integration between the sectors to combat poverty and unemployment" are 30.66 and 22.63 respectively and p-values = 0.000 which are smaller than the level of significance  $\alpha = 0.05$ , then the means of these paragraphs are significantly smaller than the hypothesized value 60 which indicates that the respondents highly agree that foreign donors do not coordinate among each other with respect to the assistance provided to the poor people and unemployed and also the respondents highly agree that foreign aids are fragmented and there is no integration between sectors to combat poverty and unemployment. According to Mwega (2009), the availability of many donors and projects can in principle be positive, as these donors have different strengths and weaknesses. Access to several donors thus provides recipient NGOs with diversification and some assurance of a steady flow of resources. However, the proliferation of donors and projects may undermine the effectiveness of aid and waste human and financial resources in the recipient NGOs by creating overlap, duplication, and inconsistency across aid projects and programs. Fragmentation can have economic costs in the form of high workload and transaction costs as well as in the

form of proliferation of sub-optimal service providers. (Acharya et al. 2006) pointed out that it can have social costs where aid beneficiaries do not receive uniform services due to differences in standards and quality of different service providers. Aid proliferation, donor fragmentation and lack of coordination are widely recognized as serious problems impairing aid effectiveness. Proliferation and fragmentation impose high transaction costs on the recipient countries, especially the poorest among them, with multiple donor missions, different sets of policy conditions and inconsistent reporting requirements absorbing scarce administrative resources. Further, Bigsten and Tengstam (2015) provide evidence suggesting that huge reductions in transaction costs could be achieved through better donor coordination via concentration on fewer partner countries and a shift from project aid to program-based approaches.

The mean value for paragraph 12 "Foreign donors provide sufficient amount that is effective in reducing poverty and unemployment is 33.66 and the P-values = 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 60 which indicates that the respondents highly agree that foreign donors provide insufficient amount that is ineffective in reducing poverty and unemployment. The researcher highly agrees with the respondents and believes that most NGOs do not have enough experience to communicate with the international donors to obtain funds and all of them depend on international organizations to finance their activities. Furthermore, the amounts received are too small and received on sporadic basis which make these funds ineffective in solving the problem of poverty and unemployment. Though the fund obtained from these sources may solve temporary problems only, as they are neither constant nor sustainable. On the researcher point of view, the problem is twofold: on the one hand, with more NGOs being registered and founded, fewer resources are being made available for each organization. On the other, the international donors fund always associated with the progress in the peace process and they do not genuinely seek to make long-term economic developmental change to solve the problems of poverty and unemployment instead they secure the status quo.

The mean value for paragraph 2 "Foreign donors promote microfinance projects (industrial, agriculture and service) to poor people and unemployed" is 54.77 and the P-

values = 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 60 which indicates that the respondents do not believe that foreign donors microfinance projects to poor people and unemployed. The researcher agrees with the respondents and believes that international donors do not encourage small scale projects. The researcher believes that microfinance project is very important and an effective tool in freeing people from poverty and help to increase their participation in the economic and production activities. In his study about microfinance projects, Al-Soos (2010) highlighted that small and medium projects play an important role in the establishment the economic and social development pillars and considered driving force for economic development. The small and medium projects contribute in increasing the production capacity and also contribute in overcoming the problems of poverty and unemployment. Hence, many countries pay great attention for the micro-finance projects especially in the past four decades, and provide assistance in various ways including providing the owners of these projects with many facilities and exemptions to help them to develop their productions, open new export markets for them, protect them from foreign competition, improve their production techniques and encourage specialization to increase their comparative advantages. The importance of these projects are not limited to being a source of generating income and employment opportunities but also these projects increase the gross domestic product (GDP) and encourage import substitution strategy and reduce the deficit in the trade balance. On the social and economic level, these projects achieved the following: reduce poverty and unemployment rates, integrate the women in the production process and provide them with economic independence, provide opportunities to generate income to help them to cover basic needs of food, clothing, health and education services, and to get rid of the causes of crime and violence, create a safe and stable society and more importantly these projects achieve justice in the distribution of wealth and balanced social development among different population categories.

The mean value for paragraph 4 "Foreign donors encourage NGOs to import capital goods to stimulate the economic growth and in turn reducing poverty and



unemployment" is 35.77 and the P-values = 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 60 which indicates that the respondents are highly disagree that foreign donors encourage NGOs to import capital goods to stimulate the economic growth. The researcher agrees with the respondents and believes that most of goods which are provided by foreign donors are in the form of consumption. These goods are consumed to satisfy the current and immediate needs of the poor people. Most of NGOs provide consumption goods to the poor people are in the form of cloths, food, shoes and the like aiming to make the poor people just to survive and not to remove them out of the poverty trap. Foreign donors do not encourage providing capital goods that is used in producing other goods which in turn increase the productive capacity of the economy.

The mean value for paragraph 3 "Foreign donors encourage adopting import substitution policy to reduce unemployment and poverty" is 35.77 and the P-values = 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 60 which indicates that the respondents do not agree that foreign donors encourage the import substitution approach which substitutes externally produced goods and services with locally produced ones. The researcher totally agrees with the respondents and believes that import substitution strategies for some basic locally demanded commodities such as food, clothes and other light and medium industrial products will prevent the leaks of capital from the local economy and provide more hard currency that could potentially be spent locally also such policy reduce the dependency of a country's economy on the foreign economy and to become more self-sufficient. One of the major advantages of import substitution policy is increasing the economic activities hence increasing the employment.

The mean value for paragraph 13 "Foreign donors imposes flexible criteria that help the NGOs to be effective on poverty eradication" is 53.66 and the P-values = 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 60 which indicates that the respondents agree that foreign donors impose high restricted criteria that make the aid ineffective in reducing poverty and unemployment. According to OECD (2006) survey,

one of the worst things that donors can do when they provide aid is to require that it can only be used to purchase goods and services from their own country. This practice, called 'tying' aid, forces poor recipients to buy goods or services which are usually more expensive than if they were sourced locally, to pay shipping costs, and deal with extra administration. All of this substantially reduces the value of the aid provided for the recipient country. The OECD estimates that tied aid raises the cost of many goods and services by between 15% and 30%, and for food aid by 35%. In addition, the goods and services provided with tied aid often don't conform to the needs of the recipient country. This type of aid tends to favor capital intensive, high-technology projects, which require expensive upkeep and donor-country based experts. Furthermore, the researcher believes that some donors insist on connecting aid flows to progress in the Palestinian-Israeli peace process. Conditional aid is another restriction imposed by donors of which an example is the Anti Terrorism Statement (ATS) that Palestinian organizations must sign before receiving US aid and this unfair practice by donors has been criticized by the Palestinian public.

Generally, the mean value for the field " The Effectiveness of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality " is 43.96, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this field is significantly less than the hypothesized value 60 which mean that the null hypothesis is rejected for the sake of the alternative hypothesis, hence the respondents agree that the foreign aided programs/ projects are not effective to reduce poverty, unemployment and inequality.

Part of the problem of aid ineffectiveness has a lot to do with the fragmentation of donor program/projects. The real effects of donor fragmentation among others include; each recipient must compete with many small projects from many different donors which breeds duplication hence increasing the transaction costs and wasting the scarce resources. Fragmentation occurs not only with the increase in the number of donors but also the proliferation of donor-funded activities. This all too often imposes a heavy burden on developing countries and capacities, and reduces the sustainability and value of the aid. This is consistent with Santiso Frot (2010) who pointed out that the multiplication of actors on the aid stage has profoundly shaped the way aid is disbursed.

It is now fragmented – received in many small pieces from many donors. Aid fragmentation is now high on the donors' policy agenda. They have pledged to decrease fragmentation by improving coordination and by implementing labor division. The 2005 Paris Declaration and the 2008 Accra Agenda for Action explicitly address these issues. The Development Assistance Committee of the OECD actively participates in monitoring progress in fragmentation reduction. Fragmentation is considered to be a pressing issue because its costs have been shown to be very large for occupied Palestinian Territories, to the point that it significantly reduces aid efficiency. Having to deal with a plethora of donor missions, requirements, and consultants considerably reduces the value of aid for recipients. It mobilizes a great deal of administrative resources in countries where these are often scarce and would be better employed elsewhere.

This is also consistent with Sarsour et al (2011) who argued that most of foreign aid given to Palestinians came in form of budget support, constituting about 72.7% of total foreign aid during 1997 – 2009, which implies that aid to Palestinians are consumed and not invested, therefore, it is not effective. This result is evident in budget support data for the period 2007 – 2009, where aid designated for development expenditures did not exceed an average of 8% of total aid for budget support. The share of budget support from foreign aid in 2001 witnessed the highest share with 97.7%, while the lowest share was in 2004 with 31.7%. However, the high unemployment rate in Palestine is another indication of aid ineffectiveness. Despite substantial amounts of aid, unemployment amounted to about 24% of labor force in Palestine during 2000 – 2009. Despite this result, foreign aid, still, has a significant role in poverty alleviation over the short-term. However, aid inefficiency over the long-term requires Palestinian authorities to undertake a set of serious institutional, social, and economic reforms. Fighting corruption and reducing aid dependency are also vital to enhance the effectiveness of foreign aid.

### 6.3.4 Impact of the Foreign Aided Projects on Reduction of Poverty, Unemployment and Inequality.

This impact field contains 15 paragraphs pertinent to the efficiency of the foreign aided projects/ programs in reducing poverty, unemployment and inequality. The respondents were asked to rate each paragraph on scale 0-100% based on their NGOs practices. Table 6.10 presents the results.

**Table (6.10): The Results of the Impact of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality**

No.	Paragraph	Mean	T-test Value	P-Value (Sig.)	Rank
1	Foreign donors encouraged NGOs on industrial development which contributed in reducing poverty and creating job opportunities.	31.97	-18.54	0.000	9
2	Foreign donors encouraged NGOs on agricultural development which contributed in reducing poverty and creating job opportunities.	53.23	-4.17	.0000	2
3	Foreign aids to NGOs contributed in developing the social services such as education and health for the poor and marginalized people.	61.73	-2.50	.0130	1
4	Foreign donors contributed in establishing the infrastructure (road, water, sewage) that needed and encouraged establishing new projects.	34.13	-16.78	.0000	6
5	Foreign aids empowered the poor and vulnerable people through micro-finance projects to better shape their own life.	47.07	-10.98	.0000	3
6	Foreign aid to NGOs introduced new technology that assists in increasing the productivity.	39.67	-12.50	0.000	4
7	The foreign aids do not lead to dependency of NGOs on foreign aids and do not make them to lose its independency of their decision-making related to reducing poverty and unemployment (dependency theory).	22.56	- 48.01	0.000	15
8	Foreign aids made NGOs to exert efforts to develop their own domestic resources.	32.80	-26.20	.0000	7
9	Foreign aids do not lead people to a state of laziness and to stop looking for work (Dutch Disease).	26.40	-26.50	0.000	14
10	Foreign aids do not lead the poor people and unemployed to lose the feeling of dignity and responsibility.	36.50	-15.22	0.000	5
11	Foreign aids do not lead to the emergence of corruption phenomena in the Palestinian Society (inequality of distribution).	28.30	-30.53	0.000	11

No.	Paragraph	Mean	T-test Value	P-Value (Sig.)	Rank
12	Foreign aids do not contribute in increasing rent-seeking for the NGOs employees (their outputs do not match with their inputs).	32.73	-23.16	0.000	8
13	Foreign aids promote social justice (existence of highest and lowest limit for salaries).	29.96	-22.90	0.000	10
14	Foreign aids lead to the emergence of comprador class and increased the gap between rich people and poor people.	27.96	-24.59	0.000	12
15	Foreign aids empowered institutional and professional works of the NGOs (NGOs do not chase the funds and change their visions according to the donors needs).	27.03	-24.48	0.000	13
	<b>Total of the Field</b>	<b>36.77</b>	<b>-28.46</b>	<b>0.000</b>	

The mean value for paragraph 3 " Foreign aids to NGOs contributed in developing the social services such as education and health for the poor and marginalized people is 56.73 and the P-value is 0.013 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents disagree that foreign donors contributed in developing the services such as education and health for the poor and marginalized people. The study conducted by Bisan Center (2006) shows that services (health, education and agriculture) offered by PNGOs are not equally accessible to the poor in these three sectors. PNGOs have to charge a fee for the services they deliver, and therefore when they have the option of receiving the same service, but for a lower price, the poor will generally not choose to utilize PNGO services. Therefore, the study confirms that in many instances, the beneficiaries of PNGO services are largely from households with higher income levels.

The mean value for paragraph 2 "Foreign donors encouraged NGOs on agricultural development which contributed in reducing poverty creating job opportunities" is 53.23 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents agree that foreign donors do not encourage agricultural development. The researcher believes that the intervention of the foreign donors in agriculture sector is not enough to achieve effective development in this important sector. Farmers are either poor or at-risk of being poor.

They need the foreign donors to rehabilitate their livelihood assets to lift them up from poverty through rehabilitating their agricultural lands and greenhouses that have been devastated through the Israeli wars on the Gaza Strip and also through providing them with agricultural training, seeds and seedlings, and irrigation equipment, and the provision of animal (chickens) production units households. The advancement capacity and skills of the farmers will lead to economic development and income generating opportunities and hence help in reducing the unemployment problem. Hijab et al (2012), reveals that no more than 1 percent of the total annual budget has been allocated to agriculture sector since the PA was formed (around 85 percent of which goes to staff salaries) and agriculture dropped to around 0.74 percent of international total aid by 2006.

The mean value for paragraph 11 "Foreign aids do not lead people to a state of laziness and to stop looking for work (Dutch Disease)" is 26.40 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents are highly agree that foreign aid make people lazy and dependent on the aid. The researcher agrees with the respondents and believes that free aids make people lazy and make them to do nothing to improve their own conditions. Foreign assistance creates a culture of dependency and laziness economy that enforced people to be trapped into a cycle of poverty. Furthermore, aid only postpones the basic solutions to crucial development problems by tentatively ameliorating their manifestations without tackling their root causes.

The mean value for paragraph 13 " Foreign aids do not lead to the emergence of corruption phenomena in the Palestinian Society" is 28.30 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents are highly agree that foreign aid lead to corruption in the Palestinian society. The researcher agree with the respondents and According Riddell (2014) the act of giving and receiving aid is said to extend and deepen corruption in recipient countries and, of more direct relevance to aid effectiveness debates, aid is said not to work because so much aid is misappropriated and never reaches those that it is intended to help. He

further added that there is a general lack of concrete and specific evidence on the misappropriation of funds, and few overall studies examine the issue rigorously and in depth, in part because donors have only recently begun to examine the issue in any systematic fashion. However, there is no firm evidence to enable one to conclude that aid in general contributes to corruption or, perhaps as important, no evidence to suggest that when aid has been withdrawn from countries, this results in less corruption.

The mean value for paragraphs 9 and 10 "The foreign aids do not lead to dependency of NGOs on foreign aids and do not make them to lose its independency of their decision-making related to reducing poverty and unemployment and " Foreign aids made NGOs to exert efforts to develop their own domestic resources "are 22.56 and 32.80 respectively and the P-values are 0.000 which are smaller than the level of significance  $\alpha = 0.05$ , then the mean of these two paragraphs are significantly less than the hypothesized value 60 which indicates that the respondents highly agree that foreign aid lead to dependency of the NGOs on the foreign aid, do not have independent vision to reduce poverty and unemployment and also do not make efforts to develop their capacities. Deutscher and Fyson (2008) pointed out that decades of development assistance have shown, for instance, that if countries are to become less dependent on aid, they must be able to determine their own priorities and rely on their own systems to deliver that aid. Donor-driven aid does not lead to sustainable results. Moreover, asymmetries in the aid relationship, whereby donors respond to their own constituencies rather than to citizens' needs in developing countries, have distorted the accountability of domestic institutions in recipient countries.

The mean value for paragraph 14 "Foreign aids do not contribute in increasing rent-seeking for the NGOs employees- their outputs do not match with their inputs." is 32.73 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents are highly agree that foreign aid lead to rent seeking. The researcher believes that most of the employees who work in the NGOs attempt to get high salaries (profits) from the foreign aids without making products or producing valuable services or otherwise to benefit the community. Rent seeking leads

to increase in the private interests, reduction in the provision of aids to the poor people and unemployed and also it leads to increase in inequality.

Generally, the mean value for the field " The Impact of the Foreign Aided Projects to Reduce Poverty, Unemployment and Inequality " is 36.77, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this field is significantly less than the hypothesized value 60 which means that the null hypothesis is rejected for the sake of the alternative hypothesis, hence the respondents agree that the foreign aided projects/programs are not has positive impact on reducing poverty, unemployment and inequality.

The researcher highly agree with the respondents argument here is that, massive amount of money have been being pledged every year into PNA's budget, but no real impact is visible on the ground which in turn may lead to careful assumption that there is negative correlation between amounts of aid and the economic growth and its indicators. Moyo (2009) argues that African countries who received billions of dollars in aid are slipping further into poverty as those African countries rejected by aid donors are recording economic gains. She argues that foreign aid promotes corruption among the recipient governments, destroys the market process, and further promotes poverty. This process becomes a viscous cycle where countries receiving aid become more dysfunctional, unaccountable, and destitute, encouraging aid dependency. As per the study conducted by MAS (2005), the effectiveness and impact of international assistance did not fully meet Palestinian aspirations and expectations. Although international aid 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. International aid was 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. The assistance failed to compensate for the losses and damages inflicted on Palestinian society and individuals by Israeli policies and practices. Indeed, international aid may unintentionally have relieved Israeli authorities of their economic and service-related obligations as an occupying power, since it enabled the PA institutions and NGOs to continue providing basic services to



Palestinian citizens. Furthermore, the assistance did not succeed in reducing Palestinian dependency on a second external factor – the assistance itself. Perhaps the best example of that is the continued reliance of the PNA’s national budget on external assistance to fund its development expenditures. In the same way, numerous Palestinian ministries and institutions (e.g. the Palestinian Legislative Council and the Palestinian Central Bureau of Statistics) depend on donors to fund their activities. In addition, the reliance of donors on foreign consultants and their considerably higher wages and larger benefits distorted the local market, while also consuming a substantial part of the aid. Finally, weak coordination between Palestinian recipient institutions allowed donor agencies to channel the assistance according to their own agendas and priorities.

### **6.3.5 Sustainability of Foreign Aided Projects to Poor People and Unemployed.**

This sustainability field contains 15 paragraphs pertinent to the efficiency of the foreign aided projects/ programs in reducing poverty, unemployment and inequality. The respondents were asked to rate each paragraph on scale 0-100% based on their application on the organizations they work for. Table 6.11 presents the results.

**Table (6.11): The Results of the Sustainability of the Foreign Aided Projects  
Provided to Poor People and Unemployed**

<b>No.</b>	<b>Paragraph</b>	<b>Mean</b>	<b>T-test Value</b>	<b>P-Value (Sig.)</b>	<b>Rank</b>
1	Foreign donors encourage microfinance project to enable the poor and unemployed to become self-employed.	52.0	-5.29	0.000	6
2	The foreign aided projects are consistent with the objectives of the national and sectoral priorities to be supported by government after subsidy.	48.43	-7.64	.0000	9
3	Foreign aided encourage participating the local communities in formulating the projects (projects are acceptable by the community so it can be supported by the community in case facing trouble).	50.74	-5.26	.0000	8
4	Foreign aided projects are built on the strengths of the poor people and unemployed (matching between the assets and the activities).	50.97	-7.12	.0000	7
5	The foreign aid projects reinforce human capital (skills, knowledge, and ability) for the poor people and unemployed to enable them managing their small projects.	53.90	-4.98	.0000	4

No.	Paragraph	Mean	T-test Value	P-Value (Sig.)	Rank
6	Foreign donors encourage coordination among all stakeholders such as the government and the private sector to support the projects provided for the poor and unemployed after the implementation.	44.50	-8.61	0.000	12
7	Foreign donors encourage NGOs to consider the negative impacts of projects on environment to be either avoided or mitigated.	46.97	-7.82	0.000	11
8	Foreign donors encourage NGOs to consider all the risks and the vulnerability contexts associated with projects provided to poor people and unemployed.	52.50	-4.88	0.000	5
9	Foreign aided projects offered to the unemployed and poor people are feasible in terms of economic and financial returns.	55.40	-3.38	0.001	3
10	Foreign donors encourage making marketing plan for the project offered to poor people and unemployed before implementing it.	47.70	-8.43	.0000	10
11	Foreign donors promote incorporating mechanisms that guarantee equitable access to the distribution of project benefits.	65.37	3.15	0.002	1
12	Foreign aided projects reinforce the social capital for the poor people to be integrated in the society (social inclusion).	57.13	-1.92	0.056	2
13	Foreign donors do not support the short term relief and humanitarian project and their impact lasted after the project completion.	15.56	-38.56	0.000	15
14	Foreign donors focus on long term changes rather than short output changes.	15.30	-38.93	0.000	14
15	Foreign aided projects would be operated after implementation without subsidy.	10.96	-33.83	0.000	13
	<b>Total of the Field</b>	<b>44.49</b>	<b>-14</b>	<b>0.000</b>	

The mean value for paragraph 11 " Foreign donors promote incorporating mechanisms that guarantee equitable access to the distribution of project benefits" is 65.37 and P-value = 0.002 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly higher than the hypothesized value 60 which indicates that the respondents to some extent agree that foreign donors promote equitable access to the distribution of the project benefits. The researcher disagree with the respondents and believes that women, disabled men and women and elder people do not participate or involved in the projects formulation/design and therefore their

different real needs are not well addressed. As per Peebles and Crowley (2012), the United Nations (UN) currently estimates that approximately 70 per cent of the world's poorest people are women. A major factor for this is the discrimination they face solely because they are female. This discrimination has significant economic consequences for women and girls, and often limits their opportunities in life; it also means that a society is not making optimal use of its available human capital, investments and donor funds.

The mean value for paragraph 12 "Foreign aided projects reinforce the social capital for the poor people to be integrated in the society (social inclusion)" is 57.13 and the P-value is 0.056 which is greater than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is insignificantly different from the hypothesized value 60. This indicates that respondents were not able to formulate a full vision on whether Foreign aided projects reinforce the social capital for the poor people to be integrated in the society (social inclusion). Based on the researcher point of view, the poverty is not only lack or low of income but poverty is associated with social exclusion. Therefore, in order for the poor people to be lifted out from the poverty, NGOs with government and other stakeholders should put comprehensive strategy to integrate those people with the society through active participation in the community activities, providing them with access to good education, health and nutrition and enable them from capital assets so that they can generate income.

The mean value for paragraph 9 "Foreign aided projects offered to the unemployed and poor people are feasible in terms of economic and financial return" is 55.40 and the P-value is 0.001 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondents agree that the projects provided to the poor people and unemployed are not financially feasible. The researcher agree with the respondents as many projects provided to poor people such as livestock projects were not financially feasible, hence these projects were ended once the donor subsidy stopped.

The mean value for paragraph 13 "Foreign donors do not support the short term relief and humanitarian project and their impact lasted after the project completion" is

15.56 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates foreign donors support the short term relief and humanitarian project and their impact ended with the project completion. This is consistent with study conducted by Sarsour et al (2011) who concluded that international aid, although vital in crisis relief, income creation and mitigating the negative effects of political unrest and economic distress, falls short of achieving sustainable development. The analysis of aid allocation among sectors revealed that aid comes in most part for purposes of crisis relief and meeting short-term needs. Further, the findings indicate that aid is mostly consumed and not invested, bearing no long term significance. Aid has not managed to decrease poverty or unemployment significantly over the long run and the Palestinian economy remains aid dependent.

The mean values for paragraph 1 and 5 "Foreign donors encourage microfinance project to enable the poor and unemployed to become self-employed" and "The foreign aid projects reinforce human capital (skills, knowledge, and ability) for the poor people and unemployed to enable them managing their small projects are 52 and 53.90 respectively and the P-values are 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of these paragraphs are significantly less than the hypothesized value 60 which indicates that the respondents agree that foreign donors do not encourage projects that make poor people and unemployed self-employed and do not provide them with the technical capacity to manage their projects to be sustainable. The researcher believes that microfinance provides the poor and unemployed with good opportunities and self-esteem. Being self employed gives a person a sense of self-respect and dignity. Success of the microfinance projects will lead to economic activities, hence that should help to reduce unemployment, poverty and inequality. Furthermore, it is not enough to provide microfinance projects to the poor and unemployed but it is equally important to offer them the necessary training to help them manage their projects hence be able to sustain their projects. As cited in the study about microfinance conducted by Chowdhury (2009), credit is only one factor in the generation of income or output. There are other complementary factors, crucial for making credit more productive. Among them, the most important is recipient's entrepreneurial skills. Most poor people do not have the basic education or experience

to understand and manage even low level business activities. Also, he pointed that microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs and common infrastructure. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading.

The mean value for paragraph 4 "Foreign aided projects are built on the strengths of the poor people and unemployed (matching between the assets and the activities)" is 50.97 and the P-value is 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this paragraph is significantly less than the hypothesized value 60 which indicates that the respondent agree that foreign donors design the project without participation with the poor people and unemployed. The researcher agree with the respondents and believes that it is important that before designing the projects, a needs assessment should be carried out to gain an understanding of the real and perceived needs of the proposed project beneficiaries (poor people and unemployed) because they themselves may have strong opinions about the principal problems they are facing and their desired interventions. However, their perceived needs may not be consistent with needs and objectives of the foreign donors. This accordingly creates a gap between the foreign needs and the beneficiaries' real needs that make the projects unsustainable.

Generally, the mean value for the field "Sustainability of the Foreign Aided Projects Provided to Poor People and Unemployed" is 44.49, P-value = 0.000 which is smaller than the level of significance  $\alpha = 0.05$ , then the mean of this field is significantly less than the hypothesized value 60 which mean that the null hypothesis is rejected for the sake of the alternative hypothesis, hence the respondents highly agree that the foreign aided projects/programs that are provided to the poor people and unemployed are not sustainable.

This finding is consistent with the study conducted by Qarmout (2012) in which he argues that the donor community preferred to fund short-term humanitarian

interventions that lack sustainability and reinforce the Gaza Strip's economic dependency. This policy was aimed at preventing a humanitarian crisis in the Gaza Strip while, simultaneously, preventing the Hamas government from achieving any tangible progress on the social and economic fronts. Aid agencies on the ground have reacted to this policy by presenting funding proposals that address donor interests rather than the population's need. The study also reveals that 65 percent of the requested funding by the aid agencies is allocated for food security as well as cash for work and cash assistance projects. The remaining funding is distributed over all other sectors, including such vital productive and service sectors as agriculture and education. From the researcher point of view, foreign donors offer short employment opportunities for to a large number of individuals to respond to what has become an acute emergency through a series of interventions including the delivery of food and non-food items and conditional cash assistance projects that serve families that have lost or are at risk of losing their sources of income and livelihoods due to the prolonged economic crisis and, most recently, the devastating military war. The projects which have little potential for sustainability or are clearly not sustainable shared the following features: are not intended to make poor people self-employed, not in-line with the national priority, not participatory with beneficiaries and local community; not economically viable, not built on the real needs of poor people and unemployed.

#### **6.3.6 Summary of Hypotheses Testing Results**

The mean values for the fields which are relevancy, efficiency, effectiveness, impact and sustainability are 47.22, 56.06, 43.96, 36.77 and 44.49 respectively. The p-values for the five fields are less than the level of significance  $\alpha = 0.05$ , then the mean of these fields are significantly less than the hypothesized value 60 which mean that the null hypotheses are rejected for the sake of the alternative hypothesis, hence the respondents highly agree that the foreign aided projects/programs that are provided to the poor people and unemployed are not relevant, not efficient, not effective, has negative impact and not sustainable. Table 6.12 shows the summary of hypotheses testing results.

**Table (6.12): Summary of Hypotheses Testing Results**

<b>No.</b>	<b>Field</b>	<b>Mean</b>	<b>T-test Value</b>	<b>P-Value (Sig.)</b>	<b>Rank</b>
1	Relevancy of the aided projects to reduce poverty, unemployment and inequality.	47.22	-12.30	.0000	2
2	Efficiency of the foreign aided projects to reduce poverty, unemployment and inequality.	56.06	-4.35	.0000	1
3	Effectiveness of the foreign aided projects to reduce poverty, unemployment and inequality.	43.96	-20.99	.0000	4
4	Impact of the foreign aided projects to reduce poverty, unemployment and inequality	36.77	-28.46	0.000	5
5	Sustainability of the foreign aided projects provided to poor people and unemployed.	44.49	-14	0.000	3

#### **6.4 Chapter Summary**

This chapter presents the characteristics of the study sample, discusses the questionnaire results and tests the study hypotheses. This research found that there is no statistical relationship between the intervening controllable factors (relevancy, efficiency, effectiveness, impact and sustainability) of the aided project with the reduction of poverty, employment and inequality. Therefore, it has been established that there is no statistical relationship between the foreign aid and the economic development.

## **Chapter Seven**

### **Summary, Conclusion and Recommendation**

#### **7.1 Introduction**

#### **7.2 Summary of Findings**

#### **7.3 Conclusions**

#### **7.4 Recommendations**

#### **7.5 Further Research**



## **7.1 Introduction**

This chapter presents a summary of the research findings. It further makes conclusions and gives recommendations for the study on the basis of the findings of this study in relation to the major research questions and objectives set in chapter one of this particular study. The study principally focused on the impact of foreign aids on Gaza Strip economic development and the study revolved around providing answers to the key question: to what extent foreign aids contribute in achieving economic development in Gaza Strip.

## **7.2 Summary of Findings**

### **7.2.1 Relevancy of the Aided Projects to Reduce poverty, Unemployment and Inequality**

This research has found out that programs/ projects implemented by NGOs are more consistent with the donors 'policy objectives and programs and do not respond to national development plan to reduce poverty and unemployment. More often, these projects neither involve the primary beneficiaries (poor people and unemployed) nor the local community and government in their design. This research further found out that because of power imbalance caused by the financial power of the foreign donors, the local NGO is unlikely to implement the agenda of the target beneficiaries or to address their real needs but rather foreign donors impose their agenda, policies and paradigms. The majority of the NGO projects are donors funded, and nearly all these funds are oriented to projects that will meet the donor's policy and objectives. The foreign donors power imbalance make them to determine program/ project types and NGOs design the proposals accordingly, even these projects do not comply with NGOs strategic plans and incomplete absence of economic development vision. Also, it has been found that although the foreign donors programs/ programs target the marginalized and vulnerable people (elder, breadwinner women and people with disabilities), these projects are in most cases more used for relief works and consumption. And in most cases, the projects offered to these groups are funded without making feasibility study which in turn put these projects from the outset at risk of unsustainability.

### **7.2.2 Efficiency of the Aided Projects to Reduce poverty, Unemployment and Inequality**

This research has found out that foreign donors encourage NGOs to complete the projects on time and that the assistance (goods and services) provided to the poor people and unemployed of good quality. These factors increase the aid efficiency as timely completion of the projects prevent cost overrun and hence avoiding wastage of the scarce of financial resources on unnecessary overhead costs that could be utilized for serving the poor people and unemployed. Also, foreign donors rely on Palestinian experts in carrying out the projects activities that could help in reducing the unemployment problem. Further, to some extent foreign donors promote best utilization of fund as the inputs resources (labors, money, time /effort) match the projects output. This contradicts with the fact that significant part of the foreign aid allocated for the employees' salaries and administrative costs that reduce the aid efficiency. On the other hand, it has been found that foreign donors do not work with clear strategy with respect to developing the Palestinian industry sector as they do not encourage using locally-manufactured materials in the aided projects or even encourage importing intermediate products to increase the added-value and also foreign donors do not encourage the export policy. Further, the majority of the foreign aided projects are scattered and do not create forward and backward connections that work in increasing the unemployment opportunities.

### **7.2.3 Effectiveness of the Aided Projects to Reduce poverty, Unemployment and Inequality**

This research found out foreign donors to some extent fund projects that aim at empowering the fresh females and males graduates from the poorest and most marginalized area in order to increase their employability opportunities. The projects include training courses that provided them with knowledge and practical skills needed for the job market. Of equal importance, foreign donors support vocational training to marginalized and vulnerable groups (breadwinner women, disabled) with vocational specialties to qualify them for the labor market. These are very important in fighting the poverty and unemployment and reducing the gap in inequality. On the other hand, the

majority of the foreign aided projects are not productive and focused on the procedures and guidelines of donors rather than on achieving short and long term strategies for economic development. Foreign donors promote consumption projects and do not encourage funding capital goods that used in the production process. Most likely, foreign donors don't stimulate small and medium scale projects and in case they support such projects, the fund found to be small and hence not effective in achieving the intended objective. Therefore, foreign donors do not encourage import substitution policy for the most demanded products in the local markets that could create job opportunities for unemployed. Further, the foreign aid is found to be used as a political tool for dominance and in most case connected with the progress in the peace process with the Israel. The research found out that some of the donors use restricted criteria that hamper the projects in achieving its objective such as stipulating purchasing the materials and machines from the donor countries which accordingly eat up significant amount of the aid and distort the market price. More than often, there is no coordination among the foreign donors in funding projects and accordingly the activities pertinent to assistance of poor people and unemployed are duplicated which lead to wastage of the scarcity resources.

#### **7.2.4 Impact of the Aided Projects to Reduce poverty, Unemployment and Inequality**

Although foreign donors through NGOs play an important role in the development of social services such as providing education and health care for the poor people, it has been found that in general foreign aided programs/ projects appear to have negative impact in the Palestinian community. Foreign aided programs/ projects fail to develop the industrial and agricultural sectors which are considered the main driving forces for the economic development. Likely, foreign aided projects fail to provide the necessary infrastructure services that pave the road for new projects and entrance of new investors. Most often, foreign donors do not encourage microfinance projects for the poor people and unemployed to make them self-employed but instead it creates dependency mentality amongst the poor people and makes the unemployed to stop looking for work. All of this makes poor people and unemployed to lose their feeling of dignity and self-esteem. Further, the research found out that foreign aided projects

increased the inequality in the Palestinian community through the emergence of comprador class who highly benefited from the aids, increased employees seeking personal interests without further production or services to the community and finally increased the gap between the salaries of the NGOs employees and those in similar position in the government and private sectors.

#### **7.2.5 Sustainability of the Aided Projects Provided to Poor People and Unemployed**

As mentioned previously, this research found out that foreign donors to further extent do not encourage small and medium projects to the poor people and unemployed to make them self-employed and motivated. Even, most of the assistances offered to this category of beneficiaries do not have the ability to sustain after completion. The projects types offered to the poor people and unemployed do not address their real needs but rather it is imposed by the foreign donors to fit in their policy objectives without which cannot be funded. It appears that foreign donors to some extent ignore the involvement of the local community, government and private sectors in designing the projects and also there is no coordination among these parties to assist the poor people and unemployed. In the majority of aided projects, foreign donors do not take into consideration the strengths (human, natural, financial, physical and social) of the poor people and unemployed and to fit in these strengths with the project type, do not consider the vulnerability risks in which poor people and unemployed exist in that may have great influence on their assets (strengths), do not prepare financial and technical feasibility study for the projects offered to the poor people and unemployed. Further, it has been found most of the aided projects support relief and humanitarian works, do not focus on the long term changes in the life of poor people and finally this research found out that, most of the donor-aided projects have no future without donor support and are unlikely to survive as a significant number of them are designed and follow western paradigms.

### 7.3 Conclusions

This research by and large achieved the research objectives and the key research question was answered and therefore makes the following conclusions:

First, donor aided projects designed and implemented by the NGOs are often influenced by donors' policy objectives with less consideration of the communities' in their design and implementation. By and large, both social and economic projects strongly lacked the participation of their primary target beneficiaries at the design stage, thus making most of the projects implemented to be top-down projects. More often, the NGO projects are a replication of the donors' policy objectives, and are unlikely to be financed if they don't reflect the donors' objectives. Accordingly, *it can be concluded that the foreign aided project is not relevant to the economic development.*

Second, this research can conclude that despite the limited sources of fund on the NGOs hands, they do not use aids more efficiently through improved sectoral allocation and disbursement mechanism. Significant portion of the foreign aids expended on the salaries and administrative costs instead of allocating it for reducing the poverty and unemployment. Also, foreign aided programs/projects are implemented without clear strategy to promote the industry sector considered the main driver force for the economic development. For examples, foreign donors do not encourage using locally-manufactured materials, do not encourage importing intermediate products to increase the added-value and also foreign donors do not encourage the export policy. Further, the foreign aided projects are scattered and do not create forward and backward connections that work in increasing the unemployment opportunities. Accordingly, *it can be concluded that the foreign aided project is not efficient in achieving the economic development.*

Third, this research can also conclude that, to a large extent, the too many uncoordinated donor aided projects lead to duplication of the project activities and hence wasting the scarce resources. Most of the aided projects offered to poor people and unemployed are unproductive, scattered and too small to push economic development forward. The aided projects are not presented within a clear and

comprehensive strategy to combat poverty and unemployment problems. *Therefore, it can be concluded that the foreign aided project is not effective to achieve the economic development.*

Fourth, this research can also conclude that donor aided projects created a dependency culture among their target beneficiaries. This dependency culture has further suppressed the entrepreneurship and creativity potentials among local communities, and instead created a regular demand to be helped just like others were helped which in turn and make people to stop looking for work and the emergence of the Dutch disease syndrome. *Therefore, it can be concluded that the foreign aided projects are not effective to achieve the economic development.*

Finally, the NGOs and the donors neglected and undermined the role of the community, government and privates sector during designing the aided projects that target the poor people and unemployed. This research can conclude that donations are the lifeline of projects and NGOs without which they are unlikely to survive. Most of the aided projects offered to poor people and unemployed were entirely externally supported and driven with donor funds and there is no doubt that without donor support, most of these projects will close and cease to exist or will be less sustainable. *Thus, it can be concluded that most of the foreign aided projects are not sustainable to achieve the economic development.*

*Generally, it can be concluded that the most of the foreign aided projects are not relevant to economic development, not efficient, not effective, have negative impact on the economic development and not sustainable; therefore, it can be established that there is no relationship between the foreign aided projects and economic development.* This general conclusion does not mean boycotting foreign aids completely. Development aids is a natural right for Palestinian all people. The Palestinian people under Occupation have the right to receive development aid, guaranteed by international law. However, this should be accompanied by demanding and working on full and equal participation in controlling and using resources within the principles of sovereignty and independence. After the failure of funders' policies to achieve development and poverty

and unemployment reduction, the initiative should be given to the receiving peoples, so that they can determine their development policies, needs and distribution of aid.

## **7.4 Recommendations**

The following are some recommendations offered with respect to the best utilization of foreign aid and implementation of poverty and unemployment alleviation programs in Gaza Strip in an attempt to improve its effectiveness in combating poverty and promoting employment opportunities. The recommendations are drawn from the literature review, discussion and analysis of findings. The recommendations are structured and directed to the NGO, Palestinian governments and donors. Three new areas as a result of this research have been recommended for further research.

### **7.4.1 To Non-Governmental Organizations (NGOs)**

- 1) NGOs should reassess their development strategies and to develop own realistic and sound strategies to reduce poverty, unemployment and inequality that are not dependent on/ or influenced by foreign donors powers. The programs/ projects should respond to the government development plans and priorities. For any donors, unless they fit into the NGOs own plan or the criteria set by the local NGO such donors should be rejected.
- 2) NGOs are focused on providing direct services to address immediate needs, and their priorities may differ from the priorities of the Palestinian Government. Thus, NGOs need to engage with the Palestinian government in order to ensure their programs/projects align with the long-term priorities of the Palestinian Government. However, such priorities must be clearly defined so that key stakeholders, such as donors and NGOs, understand what the government needs from them.
- 3) NGOs should not practice the bottom-up approach to avoid generalization the issue of poverty in the Gaza Strip; NGOs always generalize the problem of poverty in Gaza Strip. For example, nearly all the NGOs are involved in food distribution. This means that poverty in Gaza Strip is only viewed as shortage of food. NGOs are recommended to adopt new strategies for lifting up the poor

people from poverty. Such strategies should be based on the real needs of the poor people and taking their strengths (assets) into consideration.

- 4) NGOs should not ignore the important role that the public sector plays and must engage it in their development efforts. In order to effectively deliver services and improve the lives of the Palestinian people, equitable partnerships between NGOs and the government are needed, which focuses on capacity building, coordination and accountability in all aspects of planning, implementation and policymaking.
- 5) NGOs should move away from giving relief assistance to the poor people and unemployed to providing them with small and micro projects directed towards business development; this part of the economy could represent a significant source of income and livelihoods for a large number for this category and lead to increasing in the economic growth. While designing such projects the real needs of the poor people and unemployed should be defined and the projects activities should be fit in with the strengths of the poor people and unemployed. NGOs should empower the capacity of the poor people and unemployed and to provide them with the necessary skills and knowledge to enable them to manage their small projects so that these people have the capacity to make its own money and hence feel dignity, motivated and self-esteem. Feasibility studies, market plans and all the risks associated with these projects should be considered in order to guarantee the success of these projects and sustainability.
- 6) NGOs should target women-headed household, elder people and people with disabilities since these groups have little or no access to employment opportunities and are more dependent on humanitarian assistance. Furthermore, the activities that they will be engaged in require some level of on the job training.
- 7) NGOs working in different sectors should coordinate their efforts among others and to work harder than they currently are to implement sectoral integrated programs in agriculture, industry, etc. that creates backward and forward connections to open new markets and accordingly create job opportunities for the unemployed and also to avoid duplication of the projects that scatter the efforts and waste the limited resources.
- 8) NGOs should revisit their current strategies with respect to the economic development and should adapt clear development strategies based on optimal



utilization of local raw materials for production of finished goods that meet the needs, preferences and tastes of the consumers from one hand and to increase the added value and to replace the imported goods (substitution import policy) from the other hand; this will reduce the size of imports. Further, NGOs should adopt export policy for the goods that Gaza industry has competitive advantages in them. All of these strategies will generate employment opportunities; provide hard currency and reducing the deficit in the trade balance as Palestinian total import reaches 6 billion US\$ and the total export reaches 700 million US\$.

- 9) In order to avoid a large number of households that depend on agriculture for income at risk of becoming aid dependent or placed them in this category, NGOs programs/ projects should be designed to reduce food insecurity through rehabilitation the farmers' agricultural assets, rehabilitation of their greenhouses and agriculture lands and provision of agricultural inputs. This will help in generating job opportunities for the households who depend on the agriculture as the main source for income. In order to attain some level of sustainability, NGOs should provide the farmers with training courses on the advanced techniques that help them to improve their productivity agricultural inputs and how to manage their farms and how to market their products.
- 10) NGOs should also consider finding alternative sources of funding, increase the capacity of their employees, set out and follow clear and transparent system for the financial and administrative issues, follow sound governance and reduce the administrative costs to the minimum.
- 11) Corruption has substantial negative impact on economic development and weakens the NGOs. The costs of the corruption fall on the poor people. Accordingly, NGOs should put in place an effective anti-corruption system that reduce opportunities for corruption and provide positive and negative incentives.

### **To Government**

- 1) Government has an important role to play, and can therefore not afford to sit back and watch as projects crumble. Palestinian Government needs to step up their efforts to monitor the implementation of NGO projects. The government need to create and participate in information sharing platforms to discuss development

progression in their communities, that away, either party will keep watch the performance of each others community development programs.

- 2) Given the large number of NGOs in Gaza Strip, the Government needs to officially recognize the major role that NGOs play in delivery of essential services in the Gaza Strip. A national policy on NGOs needs to be developed that defines how they can most effectively serve the priorities of the community and the type of public-private partnership that is required to carry out development activities. Input from NGOs and donors are needed to develop this policy.
- 3) Government should establish coordinating mechanism to legalize, monitor and regulate the activities of NGOs. This national authority should include representatives from a cross-section of NGOs, as well as civil society groups, and requires multi-sectoral cooperation.
- 4) In order to identify the priorities of the country, a participatory and transparent process that includes key stakeholders such as government, donors, other development partners, NGOs and civil society groups is needed. By engaging in this process, the government can show their commitment to effective development, to transparency and accountability, and to ending corruption within the public sector.
- 5) The government should develop a strategy to push the economic development process forward and creating job opportunities without depending on the foreign aids through encouraging small and tiny projects, which are a significant in the production process. The government should develop a bank of projects in cooperation with experts from economists to study these small and tiny projects and directing the graduates to choose the right projects that suits their capacities, in addition to giving them the required resources and training to start these projects.
- 6) The government should set out a scale salary for the employees and enforcing all the organizations to commit to it taking into account the minimum and maximum salary in order to reduce the gap in the income and hence achieving the equality.
- 7) Based on the study findings, the agricultural and industrial sectors to far extent are neglected. Therefore, the government should cooperate with the NGOs and private sectors and should pay great attention to these sectors. Any proposed

strategies for development of these sectors should take into consideration the constraints, such as Israeli Policies, that hinder any real development.

- 8) The conditioned funding from foreign donors failed to achieve economic development. This fund is not unavoidable fate that cannot be escaped; therefore, the government should find alternatives that could replace it. There are many Arab funds and institutions which support development in the Arab world such as the Arab Fund for Economic and Social Development in Kuwait, the Jeddah Development Bank, the Arab Monetary Fund OPEC fund, Qatar NGO Committee, Qatar Charity Society and the Bahrain Chamber of Commerce and Industry.
- 9) Given the limited local sources of funding on their hands, it might be reasonable for the Palestinian Government with cooperation of NGOs to try to use aid more efficiently, through improved sectoral allocation and disbursement mechanisms.

### **To Donors**

- 1) Donors need to realize that, western development models imposed on the PNGOs failed to work and should design their aid to fit the national development strategies of recipient partner countries. Donors should engage with process programming where the local NGO together with the communities decide on what is priority for development. Projectised donors kill innovative action and knowledge building.
- 2) Donors and the local NGOs need to carefully plan the involvement of project beneficiaries as well as government in the design and implementation of community development projects. This will go a long way to achieve project ownership by both the beneficiaries and governments.
- 3) Donors should comply with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The principles of aid effectiveness emphasize the need for strengthening the capacity of governments and NGOs and alignment with their priorities. Therefore, policies that are developed should be infused with these principles and comply with international agreements, such as the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

- 4) Aid to be effective on poverty alleviation and unemployment reduction programs, donors aid must be given on a flexible basis and not tied to a rigid criteria. The move to sustainable growth requires a shift of international financial support from humanitarian assistance to a long term, flexible and sustainable support for development.
- 5) In order to make their aid offered to poor people and unemployed more effective, donors should work more closely together and they should minimize overlap in their programs and a duplication of their aid efforts; harmonizing their different aid initiatives more closely; providing more aid through recipient government channels; working together to help and strengthen recipient government institutions and NGOs.
- 6) Donors should consider the specialty of the Palestinian society, its assessments and needs when aid is given. They need to support long term and strategic programs rather than short-term projects. Hence, foreign aid is effective when it supports reforms triggered by local government and meets Palestinian development needs, which is not the case in Palestine.
- 7) Western countries, especially US and Europe, have a significant economic and political influence on Israel being their main donors, trade partners and political allies. This influence enables western donors' countries to exert pressure on Israel to lift up the blockade imposed on Gaza Strip since long time and to ease the trade and people movement which is needed for enhancing the role of foreign aids.

## **7.5 Further Research**

This research is recommending three separated but linked areas for further research that pointed by the findings of this research:

- First, what influences the selection of the NGOs programs/projects and priorities.
- Second, how foreign aided programs/ projects help in emergence of the corruption phenomena; this entails putting new definition for the corruption.
- Third, how is the Palestinian beneficiaries perceived and viewed the foreign aided programs/ projects and what significant impact these aids bring to their life.

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# Appendix

## APPENDIX I: QUESTIONNAIRE – ARABIC VERSION



الجامعة الإسلامية - غزة

عمادة الدراسات العليا - كلية التجارة

ماجستير اقتصاديات التنمية

السيدة/ ..... المحترمة

الموضوع / استبانة دراسة بعنوان: أثر المساعدات الأجنبية للمؤسسات الأهلية الفلسطينية

على التنمية الاقتصادية في قطاع غزة

تهدف هذه الدراسة إلى إختبار الفرضية الأساسية وهي علاقة المساعدات الأجنبية للمؤسسات الأهلية غير الحكومية بتحقيق التنمية الاقتصادية في قطاع غزة وهي جزء من متطلبات الحصول على درجة الماجستير في التنمية الاقتصادية من الجامعة الإسلامية بغزة.

الرجاء الإجابة على الأسئلة الواردة بالاستبانة المرفقة بحرية تامة في المكان المخصص بما يتفق مع خبراتكم، مؤكدين لكم بأن جميع المعلومات التي سيتم الحصول عليها سوف تعامل بسرية تامة و سيتم إستخدامها لأغراض البحث العلمي فقط. دقة إجاباتك ضرورية في بناء نموذج اقتصادي قياسي لتمكين المنظمات الأهلية غير الحكومية من الاستفادة القصوى من المساعدات الخارجية.

نشكركم على مساعدتنا في تعبئة هذا الاستبانة ، في حال لديكم أي استفسار أو رغبة في المزيد من

المعلومات حول هذه الدراسة، يرجى الاتصال على 0599-308293 أو البريد

الإلكتروني. [alaa\\_shorafa@yahoo.com](mailto:alaa_shorafa@yahoo.com)

إشراف/ الأستاذ الدكتور

محمد مقداد

الباحث

علاء الشرفا

القسم الأول: معلومات عامة: يرجى وضع علامة (√) في المربع المخصص:

1. نوع المنظمة التي تعمل لديها

☐ منظمة أهلية غير حكومية ☐ منظمة اجنبية (غير عربية /إسلامية) ☐ منظمة أجنبية عربية أو إسلامية

2. المسمى الوظيفي

☐ مدير تنفيذي ☐ مدير برامج ☐ مدير مشروع  
☐ منسق مشاريع ☐ مدير مالي

3. مجال عمل المنظمة التي تعمل لديها

☐ تنموي ☐ إغاثي- خيري ☐ تعليمي – تربوي  
☐ صحي ☐ ديمقراطية و حقوق انسان

4. عدد سنوات خبرتك في العمل التنموي -----

5. المحافظة التي تعمل بها المنظمة

☐ محافظة غزة ☐ محافظة الشمال ☐ محافظة المنطقة الوسطى  
☐ محافظة خان يونس ☐ محافظة رفح ☐ كل محافظات قطاع غزة

6. حجم الموازنة السنوية بالدولار للمنظمة التي تعمل بها -----

**القسم الثاني:** فيما يلي بعض المتغيرات المستقلة المرتبطة بالمساعدات الخارجية والتي قد تؤثر على التنمية الاقتصادية في قطاع غزة تم تطويرها بواسطة الباحث، يرجى استخدام خبرتك في تقييم كل متغير على تدرج: 0-100% حيث أن 100 % تفيد بالموافقة الكاملة و 0% تفيد بانعدام الموافقة تماماً.

يرجى الإجابة على الفقرات حسب تجربة الجمعية أو المؤسسة التي تعمل فيها

الرقم	المجال (المتغيرات المستقلة)	التقييم %100
الأول	ملاءمة و ارتباط مشاريع المساعدات الخارجية بالحد من الفقر والبطالة وعدم المساواة	
1	توضع مشاريع المساعدات الخارجية التي تستهدف خفض معدلات الفقر والبطالة بما يتلاءم مع خطط التنمية التي تعدها الحكومة وبتنسيق كامل معها.	
2	توضع مشاريع المساعدات الخارجية وفقاً للخطط الاستراتيجية للمنظمات الاهلية غير الحكومية للحد من الفقر والبطالة.	
3	تمنح الجهات الأجنبية المانحة مشاريع المساعدات للمنظمات غير الحكومية الذين لديهم طواقم مؤهلة و مدربة على تصميم او تقييم المشاريع المتعلقة بمكافحة الفقر والبطالة.	
4	تمنح الجهات الأجنبية المانحة المشاريع للمنظمات غير الحكومية التي تتميز بوجود سياسات واضحة وشفافة و لديها نظام اداري ومالي.	
5	(بناء على دراسات تقييم تستجيب مشاريع المساعدات الخارجية للاحتياجات الحقيقية الحاجة) للفقراء والعاطلين عن العمل.	
6	تتشرط الجهات الأجنبية المانحة اعداد دراسات الجدوى للمشاريع المقدمة للفقراء والعاطلين عن العمل.	
7	النساء المعيلين وذوي تستهدف مشاريع التمويل الخارجي الطبقات المهمشة، كبار السن و الاحتياجات الخاصة (المساواة في التوزيع).	
8	تشجع الجهات الأجنبية المانحة المنظمات غير الحكومية على التنسيق مع الحكومة في صياغة و تطوير مشاريع الحد من الفقر والبطالة. المجتمع المحلي و	
9	تتوافق أنشطة مشاريع المساعدات الخارجية مع الهدف العام للحد من الفقر والبطالة.	
10	تقرض الجهات الأجنبية المانحة اهدافها وسياساتها على المنظمات غير الحكومية فيما يتعلق ببرامج الحد من الفقر و البطالة.	
11	المساعدات الأجنبية المقدمة للفقراء و العاطلين عن العمل ذات طابع إغاثي واستهلاكي.	
12	تحدد الجهات الأجنبية المانحة أنواع المشاريع و تقوم المنظمات غير الحكومية بتصميم مقترحات المشاريع وفقاً لذلك في غياب تام للرؤية التنموية الاقتصادية للحد من الفقر والبطالة.	
13	تطبق الجهات الأجنبية المانحة تجاربها ونماذجها على المنظمات غير الحكومية للحد من الفقر والبطالة.	

الرقم	المجال (المتغيرات المستقلة)	التقييم %100
<b>الثاني</b>		
<b>كفاءة مشاريع المساعدات الخارجية المتعلقة بالحد من الفقر والبطالة و عدالة التوزيع</b>		
1	تشجع الجهات الأجنبية المانحة استخدام مواد محلية الصنع في المشاريع للحد من الفقر والبطالة.	
2	تشجع الجهات الأجنبية المانحة سياسة تشجيع التصدير من أجل الحد من البطالة و الفقر .	
3	تشجع الجهات الأجنبية المانحة استيراد المواد الخام من أجل زيادة القيمة المصنعة المضافة وبالتالي الحد من البطالة و الفقر .	
4	تشجع الجهات الأجنبية المانحة على تمويل مشاريع متكاملة على سبيل المثال لمخرجات القطاع الزراعي تستخدم كمداخلات للقطاع الصناعي للتخفيف من البطالة و الفقر .	
5	تشجع الجهات الأجنبية المانحة الاعتماد على خبرات الشركات الفلسطينية في تنفيذ المشاريع من أجل الحد من البطالة.	
6	تشجع الجهات الأجنبية المانحة المنظمات غير الحكومية على الاستخدام الأمثل للتمويل- مطابقة المدخلات (العمالة، والمال، والوقت /الجهد) مع المخرجات.	
7	تشجع الجهات الأجنبية المانحة المنظمات الغير حكومية على تنفيذ المشاريع في الوقت المحدد من أجل توفير المال	
8	تشجع الجهات الأجنبية المانحة المنظمات الغير حكومية على تنفيذ المشاريع (البضائع/ الخدمات) المقدمة للفقراء بجودة عالية من أجل توفير المال.	
9	جزءاً كبيراً من المساعدات المخصصة لخدمة الفقراء تخصص للجهات الأجنبية المانحة والعاطلين عن العمل على المصاريف الإدارية (السيارات، الأثاث والسفر، الخ) للعاملين في المنظمات غير الحكومية.	
10	تخصص الجهات الأجنبية المانحة جزء كبير من المساعدات المخصصة للفقراء و العاطلين عن العمل على الرواتب بالأجور للعاملين في المنظمات الغير حكومية.	
<b>الثالث</b>		
<b>فاعلية مشاريع المساعدات الخارجية بالحد من الفقر والبطالة وعدم المساواة</b>		
1	تشجع الجهات الأجنبية المانحة المنظمات الأهلية على تنفيذ مشاريع كثيفة العمالة من أجل الحد من البطالة والفقر .	
2	تساعد الجهات الأجنبية المانحة على تمويل المشاريع الصغيرة (صناعية، زراعية، خدمية) للفقراء و العاطلين عن العمل.	
3	تشجع الجهات الأجنبية المانحة المنظمات الأهلية على تبني سياسة إحلال الواردات (تصنيع بعض السلع الخفيفة بدلا من استيرادها) للحد من البطالة والفقر .	
4	تشجع الجهات الأجنبية المانحة على استيراد السلع الرأسمالية المنتجة من أجل تحفيز التنمية الاقتصادية و بالتالي تقليل الفقر و البطالة.	

الرقم	المجال (المتغيرات المستقلة)	التقييم %100
5	تشجع الجهات الأجنبية المانحة المنظمات غير الحكومية على التعاون و التنسيق مع الحكومة والقطاع الخاص و ذوي العلاقة في تنفيذ مشاريع تقليل الفقر والبطالة.	
6	تشجع الجهات الأجنبية المانحة على تدريب الخريجين الجدد على المهارات المهنية لتمكينهم من الانضمام لسوق العمل.	
7	تشجع الجهات الأجنبية المانحة على تدريب النساء المعيلات و ذوي الاحتياجات الخاصة و المهمشين على المهارات المهنية لتأهيلهم لسوق العمل.	
8	تستخدم المساعدات الخارجية في مشاريع غير منتجة تؤدي الى حرمان الفقراء و العاطلين عن العمل من فوائد هذه المشاريع.	
9	المساعدات الخارجية المقدمة للفقراء و العاطلين عن العمل هي في جوهرها أداة سياسية من أجل الهيمنة.	
10	نتائج تركيز الجهات الأجنبية المانحة أكثر على العمليات والإجراءات بدلا من التركيز على المشروع التي تعمل على الحد من الفقر والبطالة	
11	المساعدات المقدمة من الجهات الأجنبية المانحة مجزأة و لا يوجد تنسيق و تكامل بين القطاعات المختلفة لمكافحة الفقر والبطالة.	
12	تقدم الجهات الأجنبية المانحة تمويلا صغيرا غير فعال لتحقيق الاهداف الحد من الفقر والبطالة.	
13	تقرض الجهات المانحة الأجنبية معايير صارمة تعيق المنظمات غير الحكومية لتكون فعالة في القضاء على الفقر و البطالة.	
14	لا يوجد تنسيق بين الجهات المانحة الاجنبية مع بعضهم البعض في تقديم المساعدات مما أدى إلى إهدار الموارد الشحيحة و عدم انتفاع الفقراء و العاطلين منها.	
<b>الرابع</b>	<b>اثر المساعدات الخارجية على مكافحة الفقر، البطالة و عدم المساواة</b>	
1	شجعت الجهات الأجنبية المانحة المنظمات الأهلية على التنمية الصناعية التي ساهمت في تقليل الفقر و خلق فرص العمل.	
2	شجعت الجهات الأجنبية المانحة المنظمات الأهلية على التنمية الزراعية التي ساهمت في خلق فرص العمل و تقليل الفقر.	
3	ساهمت المساعدات الخارجية للمنظمات الأهلية في تطوير الخدمات الاجتماعية مثل التعليم والصحة المقدمة للفقراء و المهمشين.	
4	ساهمت الجهات الأجنبية المانحة في تأسيس البنية التحتية (الطرق والمياه والصرف الصحي) التي شجعت على إقامة مشاريع جديدة.	
5	ادت المساعدات الخارجية الى تمكين الفقراء والمهمشين من خلال برامج تمويل المشاريع الصغيرة و تغيير حياتهم للأفضل.	

الرقم	المجال (المتغيرات المستقلة)	التقييم %100
6	أدت المساعدات الخارجية للمنظمات الأهلية الى تمكين قدرات ومهارات النساء الفقيرات وتوذي الاحتياجات الخاصة لإدماجهم في سوق العمل	
7	أدت المساعدات الخارجية الى تمكين قدرات ومهارات الخريجين الجدد التي بدورها زادت من فرصهم بالحصول على عمل.	
8	ساهمت المساعدات الخارجية للمنظمات الأهلية في ادخال تكنولوجيا جديدة ساعدت في زيادة الإنتاجية.	
9	أدت المساعدات الخارجية الى تبعية المنظمات غير الحكومية على الجهات الأجنبية المانحة مما جعلها تفقد استقلاليتها في اتخاذ القرارات المتعلقة بمكافحة الفقر و البطالة.	
10	ساهمت المساعدات الخارجية في جعل المنظمات غير الحكومية على عدم ممارسة أو وضع سياسات لتطوير الموارد الخاصة بهم.	
11	ساهمت المساعدات الخارجية للفقراء في ايجاد حالة من الكسل و التراخي و عدم البحث عن عمل (المرض الهولندي).	
12	أدت المساعدات الخارجية إلى اهدار كرامة الفقراء و العاطلين عن العمل و الى فقدانهم الإحساس بالمسؤولية.	
13	ساهمت المساعدات الخارجية فيظهور ظاهرة الفساد في المجتمع الفلسطيني.	
14	ساهمت المساعدات الخارجية في زيادة رواتب موظفي المنظمات الأهلية بدون اي منفعة مجتمعية مقابلة لهذه الزيادة.	
15	ساهمت الجهات الأجنبية المانحة في عدم وجود عدالة اجتماعية بمعنى عدم وجود حد أدنى و حد أعلى للرواتب.	
16	ادت المساعدات الخارجية الى ظهور طبقة كمبرادورية (طبقة مستففعة) من المساعدات الامر الذي زاد من الفجوة الثنائية بين الأغنياء و الفقراء.	
17	ساهمت المساعدات الخارجية في تدمير جودة العمل المؤسسي و المهني للمنظمات الاهلية الفلسطينية ( المنظمات الأهلية تطارد التمويل و تكيف رؤيتها و فقا للمتطلبات الممول).	
الخامس	استدامة مشاريع المساعدات الأجنبية المتعلقة بمكافحة الفقر و البطالة	
1	تدعم الجهات الأجنبية المانحة مشاريع ا لتمويل الصغيرة لتمكين الفقراء والعاطلين عن العمل بهدف الاعتماد على أنفسهم.	
2	تتلائم المشاريع الممولة من الجهات المانحة الأجنبية مع أهداف أولويات خطط التنمية الوطنية حتى تتبناها و تدعمها الحكومة بعد انتهاء التمويل.	
3	تشجع الجهات الأجنبية المانحة على مشاركة المجتمع المحلي في صياغة مشاريع المساعدات ( المشروع يكون مقبول من المجتمع المحلي حتى يتم دعمه مجتمعياً في حال نعرته).	

الرقم	المجال (المتغيرات المستقلة)	التقييم %100
4	تشجع الجهات الأجنبية المانحة على تمويل مشاريع صغيرة بشكل فردي للفقراء و العاطلين بحيث تتوافق أنشطة المشاريع مع إمكانياتهم المتاحة.	
5	تعمل الجهات الأجنبية المانحة على تطوير رأس المال البشري (المهارات والمعرفة . والعاطلين عن العمل لتمكينهم من إدارة مشاريعهم الصغيرة والقدرات) للفقراء	
6	تشجع الجهات الأجنبية المانحة على تنسيق الجهود بين الجهات المعنية مثلا لحكومة والقطاع الخاص لمتابعة و دعم المشاريع المقدمة للفقراء أوالعاطلين عن العمل بعد الانتهاء من تنفيذها.	
7	تشجع الجهات المانحة الأجنبية المنظمات غير الحكومية على دراسة الآثار السلبية على البيئة للمشاريع لتجنبها أو تقليل من أثارها.	
8	تشجع الجهات الأجنبية المانحة المنظمات غير الحكومية على الأخذ بعين الاعتبار جميع المخاطر المرتبطة بالمشاريع المقدمة للفقراء والعاطلين عن العمل.	
9	عاطلين عن العمل تهتم الجهات الأجنبية المانحة بان تكون المشاريع المقدمة للفقراء و ال مجدية من حيث العائد الاقتصادي والمالي.	
10	تشجع الجهات الأجنبية المانحة على اعداد خطة تسويقية لمنتجات المشاريع المقدمة للفقراء و العاطلين قبل التنفيذ.	
11	تهتم الجهات الأجنبية المانحة بوضع الآليات التي تضمن المساواة في توزيع المساعدات.	
12	تعزز الجهات المانحة الأجنبية رأس المال الاجتماعي للفقراء لإدماجهم في المجتمع (يرتبط الفقر عادة بالعزل المجتمعي).	
13	تركز الجهات المانحة الأجنبية على دعم المشاريع الإغاثية و الإنسانية قصيرة المدى و التي ينتهي اثرها مع نهاية المشاريع.	
14	تركز مشاريع المساعدات الخارجية المقدمة للفقراء و العاطلين عن العمل على الناتج قصير المدى بدلا من التركيز على التغيير في المدى البعيد.	
15	تتوقف مشاريع المساعدات الخارجية المقدمة للفقراء و العاطلين عن العمل في حال توقف الدعم عنها.	



## APPENDIX II: QUESTIONNAIRE – ENGLISH VERSION

*In The Name of Allah the Most Gracious, the Most Merciful*

**The Islamic University-Gaza**  
**High Studies Deanery**  
**Faculty of Commerce**  
**Master of Economic Development**



*Dear Sir,.....*

**Subject: Questionnaire about the Impact of Foreign Aid to NGOs**

**on Economic Development in Gaza Strip**

In this study, the researcher explores the main hypothesis that foreign aids to the NGOs promote the economic development in Gaza Strip. The study is carried out as partial fulfillment of requirement for the degree of master in economic development.

Please answer the questions freely in the space provided. *All the information you provide will be treated in strictest confidence and will be used for the research purpose only.* Your precise answers are essential in building an econometric model for best the best utilization of the foreign aids provided to NGOs.

I hope you find completing the questionnaire enjoyable, and thank you for taking the time to help us. If you have any queries or would like further information about this study, please call me on 0599-308293 or email me on [alaa\\_shorafa@yahoo.com](mailto:alaa_shorafa@yahoo.com).

Thank you for your help

The Researcher  
Alaa Shorafa

The Supervisor

## ***Section One: General Information***

Please, tick (✓) in the appropriated box

### **1.1 Organization type:**

☐ Local NGO

☐ International NGO  
(Non Arabic/ Non Islamic)

☐ International NGO  
(Arabic and Islamic)

### **1.2 Job title**

☐ Executive Manager

☐ Program Manager

☐ Project Manager

☐ Project Coordinator

☐ Financial Manager

### **1.3 work field of the NGO**

☐ Development

☐ Relief

☐ Educational

☐ Health

☐ Democracy and Human Rights

### **1.4 Years of experience in the development works .....**

### **1.5 Governorates in which your organization working in**

☐ Gaza

☐ North

☐ Middle Area

☐ Khanyounis

☐ Rafah

☐ All Governorates

### **1.6 Annual Budget Size for the Organization you work for (US\$) .....**

**Section Two:** Following are some independent variables that may affect the economic development as developed by the researcher. Please, express your opinion and rate the following variables on a scale 0-100%.

No.	Paragraph (Independent Variables)	Score 100%
<b>First Field: Relevancy of the Aided Projects to Reduce Poverty, Unemployment and Inequality</b>		
1	Foreign aid projects to NGOs respond to national development plan to reduce poverty and unemployment.	
2	Foreign aid projects respond to NGO strategic plan to reduce poverty and unemployment.	
3	Foreign donors provide fund to NGOs who have qualified staff in formulating the projects related to reducing poverty and unemployment.	
4	Foreign donors select NGOs which have good reputation and have clear financial and administrative system.	
5	Foreign aid projects respond to the real needs of poor and unemployed people (people centered).	
6	Foreign donors promote preparing feasibility study for the projects provided to poor people unemployed.	
7	Foreign aided projects target vulnerable, poor, elders, women breadwinner and people with disabilities (equality).	
8	Foreign donors encourage NGOs to cooperate with local community and government in formulating projects to reduce poverty and unemployment.	
9	Foreign aid projects activities and outputs are consistent with the overall goal to reduce poverty and unemployment.	
10	Foreign donors impose their agenda and policies on the NGOs related to programs/ project of reducing poverty and unemployment.	
11	Foreign aids that offered to poor people are more used for relief works and consumption.	
12	Foreign donors determine the projects/programs types and NGOs design proposals accordingly in complete absence of economic development vision.	
13	Foreign donors impose their paradigm and models on NGOs to reduce the poverty and unemployment.	
<b>Second Field: Efficiency of the Aided Projects to Reduce Poverty, Unemployment and Inequality</b>		
1	Foreign donors encourage using locally-made materials in projects to reduce poverty and unemployment.	
2	Foreign donors encourage export encouraging policy especially the final products in order to reduce poverty and unemployment.	
3	Foreign donors encourage importing raw materials in order to increase the added value and consequently reduce poverty and unemployment.	
4	Foreign donors promote integrated projects for example the output of the agricultural sector used as input for industrial sector.	
5	Foreign donors encourage relying on expertise of Palestinian firms to implement projects in order to reduce unemployment.	

No.	Paragraph (Independent Variables)	Score 100%
6	Foreign donors encourage NGOs to best utilization of fund- matching the inputs (labors, money, time/effort) and the output.	
7	Foreign donors encourage NGOs to implement the projects on time in order to save money.	
8	Foreign donors encourage NGOs to implement the projects (goods/services) provided to poor with high quality in order to save money.	
9	Foreign donors allocate high portion of the aids on the administrative costs(cars, furniture, and travel) to NGOs staff instead of serving poor people and unemployed.	
10	Foreign donors allocate high portion of the aids on the salaries and wages of the NGOs staff instead of serving poor people and unemployed.	
<b>The Third Field: Effectiveness of the Aided Projects to Reduce Poverty, Unemployment and Inequality</b>		
1	Foreign donors promote NGOs using labor-intensive program in order to reduce unemployment and poverty.	
2	Foreign donors promote microfinance projects (industrial, agriculture and service) to poor people and unemployed.	
3	Foreign donors encourage adopting import substitution policy to reduce unemployment and poverty.	
4	Foreign donors encourage NGOs to import capital goods to stimulate the economic growth and in turn reducing poverty and unemployment.	
5	Foreign donors encourage NGOs to cooperate with government, private sectors and other stakeholders in implementing projects to reduce poverty and unemployment.	
6	Foreign donors encourage professional skills training to the new graduates to enable them join the open market (employment).	
7	Foreign donors encourage vocational training to breadwinner women, disabled and vulnerable to qualify them for the labor market.	
8	Foreign aids use non-productive projects (white elephant projects) depriving the poor and unemployed from the benefits of these projects.	
9	Foreign aids are more powerful as a policy tool for dominance rather than for real aid for poor people and unemployed.	
10	Foreign donors focus more on the process and procedures rather than the project outcomes that work in reducing poverty and unemployment.	
11	Foreign aids are fragmented and there is no coordination and integration between the sectors to combat poverty and unemployment.	
12	Foreign donors provide small amount that in not effective in reducing poverty and unemployment.	
13	Foreign donors impose rigid criteria that hinder the NGOs to be effective on poverty eradication.	
14	There is no coordination among the foreign donors relating to providing the assistance which lead to the wasting the scarcity of the resources.	

No.	Paragraph (Independent Variables)	Score 100%
<b>The Fourth Field: Impact of the Foreign Aided Projects on Reduction of Poverty, Unemployment and Inequality.</b>		
1	Foreign donors encouraged NGOs on industrial development which contributed in reducing poverty and creating job opportunities.	
2	Foreign donors encouraged NGOs on agricultural development which contributed in reducing poverty creating job opportunities.	
3	Foreign aids to NGOs contributed in developing the social services such as education and health for the poor and marginalized people.	
4	Foreign donors contributed in establishing the infrastructure (road, water, sewage) that needed and encouraged establishing new projects.	
5	Foreign aids empowered the poor and vulnerable people through micro-finance projects to better shape their own life.	
6	Foreign aid NGOs empowered the skills and capacities of the poor women and disabled people to support their inclusion in the job market.	
7	Foreign aids to NGOs increased the graduate skills and capacities which in turn increase their employability.	
8	Foreign aid to NGOs introduced new technology that assists in increasing the productivity.	
9	The dependency of NGOs on foreign aids makes them to lose its independency of their decision-making related to reducing poverty and unemployment ( <b>dependency theory</b> ).	
10	Foreign aids made NGOs not to exert efforts to develop their own domestic resources.	
11	Foreign aids led people to a state of laziness and to stop looking for work ( <b>Dutch Disease</b> ).	
12	Foreign aid led the poor and unemployed to lose the feeling of dignity and responsibility.	
13	Foreign aids led to the emergence of corruption phenomena in the Palestinian Society ( <b>inequality of distribution</b> ).	
14	Foreign aids contributed in increasing rent-seeking for the NGOs employees (their outputs do not match with their inputs).	
15	Foreign aids contributed in absence of social justice (no existence of highest and lowest limit for salaries).	
16	Foreign aids lead to the emergence of comprador class and increased the gap between rich people and poor people.	
17	Foreign aids lead to destroying the institutional and professional works of the NGOs (NGOs chase the funds and change their visions according to the donors needs).	
<b>The Fifth Field: The Sustainability of the Aided Projects Provided to Poor People and Unemployed.</b>		
1	Foreign donors encourage <i>microfinance project</i> to enable the poor and unemployed to become self-employed.	
2	The foreign aided projects are consistent with the objectives of the national and sectoral priorities to be supported by government after subsidy.	

No.	Paragraph (Independent Variables)	Score 100%
3	Foreign aided encourage participating the local communities in formulating the projects (projects are <i>acceptable</i> by the community so it can be supported by the community in case facing trouble).	
4	Foreign aided projects are built on the strengths of the poor people and unemployed (matching between the assets and the activities).	
5	The foreign aid projects reinforce human capital (skills, knowledge, and ability) for the poor people and unemployed to enable them managing their small projects.	
6	Foreign donors encourage coordination among all stakeholders such as the government and the private sector to support the projects provided for the poor and unemployed after the implementation.	
7	Foreign donors encourage NGOs to consider the negative impacts of projects on <i>environment</i> to be either avoided or mitigated.	
8	Foreign donors encourage NGOs to consider all the risks and the vulnerability contexts associated with projects provided to poor people and unemployed.	
9	Foreign aided projects offered to the unemployed and poor people are feasible in terms of economic and financial returns.	
10	Foreign donors encourage making marketing plan for the project offered to poor people and unemployed before implementing it.	
11	Foreign donors promote incorporating mechanisms that guarantee equitable access to the distribution of project benefits.	
12	Foreign aided projects reinforce the social capital for the poor people to be integrated in the society (social inclusion).	
13	Foreign donors support the short term relief and humanitarian project and their impact ended with the project completion.	
14	Foreign donors focus on short output changes rather than long term changes.	
15	Foreign aided projects would not be operated after implementation without subsidy.	