Why is aid not effective in the Palestinian case and how this can be changed?

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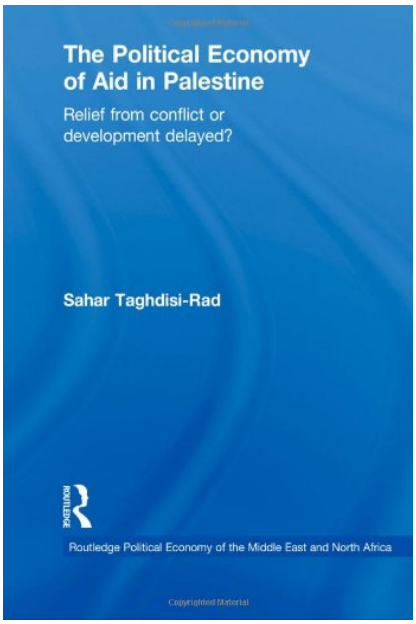
Despite for many years receiving one of the highest per capita aid worldwide, the economies of the West Bank and Gaza Strip have failed to achieve any lasting developmental outcomes and suffer from major weaknesses which undermine their very survival. This book argues that the dominant, mainstream approach to the study of aid and aid effectiveness is theoretically and empirically inadequate for a comprehensive understanding and analysis of the workings of aid in developing countries. ***Alaa Tartir*** *finds that this book adds an important, distinctive and timely contribution to the scholarly work on Palestine.*

The Political Economy of Aid in Palestine: Relief from Conflict or Development Delayed? Sahar Taghdisi-Rad. Routledge. 2011.



The impact of international aid and donor intervention remains highly complex and controversial in many conflict-affected areas. In the case of Palestine, the literature on aid and development tends to view humanitarian aid as part of the solution to the persistent crisis, and as one of the most important resources that has the potential to ameliorate conditions of poverty and want.

But aid organisations and donors who work in the area have also been accused of violating international law, namely the 1907 Hague Regulation and 1949 Fourth Geneva Convention, by sustaining and subsidising the Israeli occupation and relieving Israel from its responsibilities as an occupying power. As argued previously by Sara Roy in *The Gaza Strip: The Political Economy of De-Development* (1995), aid has been correlated with the process of de-development suffered by Palestinians through the deprivation of its capacity for production, which removed the rationale for structural transformation and meaningful reforms, and made it impossible to achieve even a form of distorted development.

Hence, since the establishment of the Palestinian Authority in 1993, international aid disbursements to Palestinians totalled around $20.4 billion, averaging $317 per capita annually –

considered to be one of the highest per capita levels in the world. As a comparison, aid to Israel (mainly as military aid from the United states) is estimated around $6-7 billion annually. After 2004 in the post-Arafat era, international aid as a percentage of the Gross Domestic Product (GDP) ranged between 24% and 49%, creating an economy highly dependent on aid flows. Despite the high levels of aid, the de-development process can be illustrated through the high levels of poverty and unemployment that reach around 30 per cent, the high levels of human and food insecurity, and the absence of basic rights and freedoms.

With these statistics taken into account, the puzzling question remains as to why, despite all of these aid flows, Palestine's development is still denied. How can the aid-under-occupation dilemma be deconstructed, and what is the root cause for such failure? Why is aid not effective in the Palestinian case and how this can be changed?

These are the set of questions which SOAS economist Dr. Sahar Taghdisi-Rad has provided convincing and stimulating answers to in her recent book, *The Political Economy of Aid in Palestine: Relief from Conflict or Development Delayed?* The author challenges the mainstream economic theory of aid effectiveness, highlighting its failures, and instead calls for a move towards adopting a heterodox political economy approach, providing a comprehensive framework for analysing the impact of aid in conflict-affected contexts.

Taghdisi-Rad compelling argues that the assumption of the universality of dominant neoclassical economics is problematic, as economic institutions and policies are not the main determinates of long-term economic growth in many developing countries. Most indicators of good governance are often an outcome of numerous socio-economic and political realities and processes, rather than a result of the policies adopted by the recipient country's government. The author even goes further to argue that a major reason for the failure of the mainstream economic thinking in the aid effectiveness realm is due to its inability to differentiate between growth and development as two distinct possible objectives of economic activity, but also because it overemphasis the role of the recipient government, at the expense of a critical analysis of the role of donors and their programmes, in determining the effectiveness of foreign aid.

Taghdisi-Rad also analyses the nature of donor operations in Palestine and highlights the political and ideological determinants of aid allocation and effectiveness. Focusing on the role of trade-related donor assistance (Aid for Trade) she argues that donors failed to apply their political leverage to address the Israeli closure and control policies, and by encouraging the resumption of trade links with Israel they in effect sustained the occupation, effectively complicit in legitimizing it by "leaving unquestioned the very damaging structures of the occupation" (p.179). Donors chose to work 'around' the conflict as opposed to taking it into account, using aid as a smokescreen to cover their political failure in solving the Palestinian-Israeli conflict and end the occupation. Hence, the author concludes that donor operations have further regressed with regards to catalysing a process of long-term developmental change, and instead they secure the status quo.

This book's major contribution is that it tackles in depth the role of the major actors in the aid business, and critiques and deconstructs their intervention. It also provides a compelling account of aid data, its allocation and use or misuse, and by this it is clearly addressing a missing gap in the literature. This reader feels that one of the most important parts of the book is the last part, in which Taghdisi-Rad very eloquently evaluates the trends in donor assistance to Palestine. She suggests various innovative ideas as to how to make aid more effective and how we might address the aid fatigue and failure in the Palestinian context.

The drawbacks of this book are minor. It could benefit from further elaboration and clarification concerning the pure economic terms and concepts, especially the ones of technical nature. Given that the book focuses on the period up to 2006, it does omit a few variables that could add other aspects for analysis. However, overall this book adds an important, distinctive and timely contribution to the scholarly work on Palestine, its economy and the development process. It is a must-read for all actors and scholars that deal with the aid and development industry in Palestine particularly and in the conflict-affected areas generally.

Note: This review gives the views of the author, and not the position of the LSE Review of Books, nor of the London School of Economics.

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