

THE AUSTRALIAN NATIONAL UNIVERSITY

Analysing the objectives of Australian aid to Palestine: is Australian aid relevant to Palestinian development?

A report for

THE GENERAL DELEGATION OF PALESTINE TO AUSTRALIA, NEW ZEALAND AND THE PACIFIC

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Executive Summary

Australia gives \$42.8 million annually in aid to Palestine. This aid is specifically targeted to achieve two objectives: the improvement of public financial management and building of a more competitive agricultural economy in Palestine; and ensuring that refugees have access to quality basic services.¹ This report provides an analysis of the objectives of Australian aid to Palestine, to determine if these objectives are relevant to Palestinian development. It assesses these objectives by using international guidelines on aid effectiveness, established in the 2005 Paris Declaration of Aid Effectiveness, to which Australia is a signatory. The report finds that with a preliminary investigation, Australian aid is relevant to Palestinian development, however with a deeper analysis of the economic and political context facing Palestine, its relevance is lessened.

Chapter 1 of this report conducts an initial level of analysis: comparing the Australian Aid Investment Plan to the Palestinian National Development Plan. It becomes apparent that important tenets of relevancy are being achieved: ownership, alignment, and harmonisation.

Chapter 2 considers the Palestinian economic context, assessing the relevancy of the changing objectives of Australian aid from state building to economic development. This chapter demonstrates that economic development, while important, is less relevant for Palestine when unaccompanied by a focus on state building, given the difficulties facing Palestine in relation to its statehood.

Chapter 3 examines Australia's role in Palestinian statehood. It considers the power dynamics shaping the conflict and argues that to achieve an equitable solution to the conflict, international actors must act to minimise the power imbalances between Israel and Palestine. By not acting decisively, this report argues Australia is contributing to an unequal solution, which undermines Palestinian economic development and thus also the relevancy of Australian aid.

This report concludes by providing recommendations to the Department of Foreign Affairs and Trade (DFAT) as it reviews Australian aid to Palestine. It recommends that DFAT continue the current programs, as they are helpful and provide important resources. Furthermore, it recommends that in future planning, DFAT remembers the political aspirations of the Palestinian people and considers how the political and economic situations are linked. Additionally, this paper provides recommendations to the General Delegation of Palestine (GDOP) as it negotiates with DFAT on aid programs in the future. It recommends that the GDOP recognise the self-interested nature of Australian aid and justify programs according to Australian interest.

¹ 'Aid Investment Plan: Palestinian Territories 2015-2019' (Commonwealth of Australia, Department of Foreign Affairs and Trade, 30 September 2015), 3, <http://dfat.gov.au/about-us/publications/Pages/aid-investment-plan-aip-palestinian-territories-2015-2018.aspx>.

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List of Acronyms

AIP	AID INVESTMENT PLAN
AMENCA	AUSTRALIAN MIDDLE EAST NGO COOPERATION AGREEMENT
DAC	DEVELOPMENT AID COMMITTEE
DFAT	DEPARTMENT OF FOREIGN AFFAIRS AND TRADE
GDOP	GENERAL DELEGATION OF PALESTINE
NDP	NATIONAL DEVELOPMENT PLAN
NGO	NON-GOVERNMENT ORGANISATION
ODA	OFFICIAL DEVELOPMENT AID
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
PA	PALESTINIAN AUTHORITY
PRDP	PALESTINIAN REFORM DEVELOPMENT PLAN
UNRWA	UNITED NATIONS RELIEF AND WORKS AGENCY

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Introduction

Australia as an aid donor has had a turbulent few years. With changes in government have come drastic changes in the amount set aside in the budget for international aid, and how that money is applied. While in 2012, Australia had an aid budget of \$5.6 billion, in 2014 widespread cuts were announced, so much so that in the 2016-17 budget, the Australian government announced it would give only \$3.8 billion in Official Development Assistance (ODA).² Moreover, Australian aid is now focused on the Asia Pacific region, with programs in Sub-Saharan Africa losing 70% and projects in the Middle East losing 43% of their funding in the 2015-16 budget.³ Australian aid to Palestine has been reduced by 40%, with Australia giving a total of \$42.8 million in ODA to Palestine in 2015-16.⁴ However, despite the cuts, Australian aid is continuing in Palestine, with four arms of the aid focus: budget support for the Palestinian Authority, agricultural development, scholarship opportunities, and refugee support.⁵ The purpose of this paper is to determine if this aid is relevant for Palestinian development.

Australia's aid to Palestine is important, as Palestine needs "significant external support to cover public expenditures".⁶ This is a result of its unstable political situation, in particular the difficulties that have arisen since the establishment of the State of Israel in 1948. Over the past 60 years, the people of Palestine have been stateless, exiled and occupied. In 1993, peace agreements were signed in

² 'Australian Foreign Aid', *Lowy Institute for International Policy*, accessed 5 October 2016, <http://www.lowyinstitute.org/issues/australian-foreign-aid>; 'Australian Aid Budget Summary 2016-17' (Commonwealth of Australia, Department of Foreign Affairs and Trade, 3 May 2016), 1, <http://dfat.gov.au/news/news/Pages/2016-17-australian-aid-budget-summary.aspx>.

³ 'Australian Foreign Aid.'

⁴ 'Australian Aid Budget Summary 2016-17.'

⁵ 'Development Assistance in the Palestinian Territories', *Australian Government Department of Foreign Affairs and Trade*, accessed 15 February 2016, <http://dfat.gov.au/geo/palestinian-territories/development-assistance/Pages/development-assistance-in-palestinian-territories.aspx>.

⁶ 'National Development Plan 2014-2016: State Building to Sovereignty' (State of Palestine, 2014), 16, http://www.mopad.pna.ps/en/images/PDFs/Palestine%20State_final.pdf.

Oslo that formally established the borders of the Palestinian state around the 1967 territorial boundaries, which include the West Bank and Gaza as Palestinian territory. They also established a five-year timeline for the removal of Israeli forces from Palestinian territory and outlined the relationship between the two states, politically and economically. However, these agreements have not been upheld and Israel continues its occupation of the Palestinian territory. The constancy of the occupation has left Palestine facing significant development issues. 22% of people living in Palestine are food insecure, 26% are in poverty and 25% are unemployed.⁷ These statistics differ widely between the West Bank and Gaza, and the inequalities between these regions add to the difficulties. Moreover, these figures have risen over the past 20 years, resulting in the United Nations describing Palestine as going through a process of “de-development”.⁸ As Palestine faces de-development, it is important to analyse if Australia’s aid is relevant to its development needs.

The relevance of aid is an important question to discuss. The question of relevancy, on any topic, explores if the conclusion of an issue addresses the premise.⁹ If the premise and conclusion are not related, then the conclusion is deemed to be irrelevant. This paper seeks to determine if the objectives of Australian aid (the conclusion) are appropriate given the situation and needs of Palestine (the premise). Frequently aid will be reviewed and assessed for its “effectiveness” – for example, the Development Policy Centre has an entire interactive website devoted to exploring “how well foreign aid is meeting its objectives”.¹⁰ However, the question of relevance is different to the question of effectiveness – relevance addresses the objectives themselves and analyses to

⁷ ‘Development Assistance in the Palestinian Territories.’

⁸ Ibid.

⁹ Edwin Mares, ‘Relevance Logic’, ed. Edward N. Zalta, *Stanford Encyclopedia of Philosophy*, Spring 2014, <http://plato.stanford.edu/cgi-bin/encyclopedia/archinfo.cgi?entry=logic-relevance>.

¹⁰ ‘Australian Aid Tracker: Effectiveness’, *Development Policy Centre*, accessed 22 March 2016, <http://devpolicy.org/aidtracker/effectiveness/>.

what extent they meet the “critical needs and aspirations” of the receiving people – in this case, the Palestinian people.¹¹

In order to address this question, this paper is divided into three chapters. The first will conduct a surface analysis of the question, by comparing the Palestinian National Development Plan to the Australian Aid Investment Plan to determine if there is alignment in the objectives of the two plans. Chapter two will consider in more depth the Australian objective of economic development, given the Palestinian context. It will assess if economic development is a relevant objective in comparison to Australia’s previous objective of state building. Finally, chapter three will assess Australia’s objectives given the power dynamics at play in the region and Australia’s lack of action in searching for a solution to the political conflict.

Through this research it will be determined that while Australian aid is relevant on a surface level, its relevancy is undermined by the economic situation facing Palestine and Australia’s unwillingness to contribute to mediation of the conflict or to actively support finding a solution. The paper concludes by providing recommendations to the Australian Department of Foreign Affairs and Trade (DFAT) as to the future of aid to Palestine, and recommendations to the General Delegation of Palestine (GDOP) as to how to continue to lobby the Australian government effectively on this issue.

¹¹ Nicolas de Torrente, ‘The Relevance and Effectiveness of Humanitarian Aid: Reflections about the Relationship between Providers and Recipients’, *Social Research* 80, no. 2 (2013): 607.

Literature Review and Methodology

It is important to ground an analysis of Australian aid to Palestine within the larger academic framework of aid assessment in general. In order to do so, this chapter will first briefly explore the question of whether aid is ever effective; explaining why this paper is based on the assumption that aid is an important tool for development. It will then outline the matrix used to assess aid in this research, drawing on academic literature and global aid agreements to identify the important tenets of effective and good aid. It also explains the use of interviews for this research, demonstrating why this was an important tool for exploring different perspectives on Australian aid to Palestine. Finally, this chapter will focus on the specific context of Palestine and Australia, outlining why this situation is unique and preparing for the analysis of Australian aid in the following chapters.

There is an extensive academic debate surrounding the effectiveness of aid for development. Particularly this century, aid has come to the foreground of political debate with the Millennium Development Goals, the G8 Gleneagles Summit in 2005, the Make Poverty History Campaign and increasing global connectedness as a result of technological advances.¹² With this political and social debate has come academic debate questioning the effectiveness of aid as a tool for development. Two key philosophers, Easterly and Sachs, have written extensively to present either side of this debate. While it is outside the scope of this report to fully analyse their arguments, it is worth mentioning the debate and noting that for this report, an assumption is made that aid is an important tool for development. Sachs states “the issue is not “yes” or “no” to aid. Aid is needed and can be highly successful. The issue is how to deliver high quality aid to the world’s poorest and most vulnerable people”.¹³ This report assumes that

¹² Paul Hopper, *Understanding Development* (Cambridge: Polity Press, 2012), 200.

¹³ Jeffrey Sachs, ‘It’s Become Fashionable to Argue That Foreign Aid Doesn’t Make a Difference. Here’s Why the Critics Couldn’t Be More Wrong.’, *Foreign Policy*, 21 January 2014, <http://foreignpolicy.com/2014/01/21/the-case-for-aid/>.

aid is important and thus focuses on determining what qualifies aid as relevant and effective.

However, there is consensus between the two sides of this debate as to what makes aid more effective. For Easterly, the main requirements of effective programs in any context are “feedback and accountability”.¹⁴ In an aid context, these requirements are particularly important, with Sachs agreeing on the need for clear objectives and assessable goals, delivered through sound structures to protect against corruption and opacity.¹⁵ While these philosophers disagree on many things, it is worth noting their agreement on the necessity of clear methods for improving aid and holding countries and organisations accountable for the aid they provide. This is ultimately the focus of this report: assessing Australian aid, in the hope that improvements can be made in order to increase its relevancy, and to provide an external assessment to increase accountability.

This report assesses Australian aid to Palestine against current international agreements on aid effectiveness. These agreements uphold certain principles of aid distribution and are how signatories are held accountable for their aid. The archetypal agreement is the Paris Declaration on Aid Effectiveness, an international agreement signed in March 2005 by a range of countries and development institutions, committing to reform the delivery and management of aid to make it more effective.¹⁶ Australia, as a member of the Organisation for Economic Co-operation and Development (OECD) and also of its Development Aid Committee (DAC), is a signatory to the Paris Declaration. The declaration establishes five pillars to which signatories commit in order to increase the effectiveness of their aid:

¹⁴ William Easterly, ‘Why Doesn’t Aid Work?’, *Cato Unbound: A Journal of Debate*, 2 April 2006, <http://www.cato-unbound.org/2006/04/02/william-easterly/why-doesnt-aid-work>.

¹⁵ Sachs, ‘It’s Become Fashionable to Argue That Foreign Aid Doesn’t Make a Difference. Here’s Why the Critics Couldn’t Be More Wrong.’

¹⁶ ‘The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action’ (OECD, 2008), 1, <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

- *Ownership*; acknowledging the need for partner states to own the aid they receive and develop their own clear development strategies and results-orientated programs.¹⁷
- *Alignment*; requiring donors to respect the strategies put forward by partners and use the partner country's systems to deliver aid in order to develop institutional capacity and decrease aid dependency.¹⁸
- *Harmonisation*; recognising the importance of transparency and collective communication amongst donors to ensure aid is not duplicated, and to pragmatically share the division of labour and transaction costs.¹⁹
- *Managing for Results*; ensuring there are clear mechanisms for assessing the results of aid so as to make decision-making more effective.²⁰
- *Mutual Accountability*; recognising that both donors and partners have responsibility over the results achieved and holding both parties accountable.²¹

Three years on, in 2008, the Paris Declaration was “accelerated and deepened” in the Accra Agenda for Action, where the same countries and organisations re-affirmed their commitment to these pillars of aid effectiveness and their willingness to tailor aid programs towards these milestones.²² In 2011 there was a Fourth High Level Forum on Aid Effectiveness in Busan, Korea, where once more these pillars were upheld.²³ Moreover, the Forum emphasised the need to focus more on sustainability of development.²⁴

Given that Australia is a signatory, it is committed to upholding the principles outlined in the Paris Declaration. As this paper analyses the specifics of

¹⁷ Ibid., 3.

¹⁸ Ibid., 3–5.

¹⁹ Ibid., 6–7.

²⁰ Ibid., 7.

²¹ Ibid., 8.

²² Ibid., 14.

²³ ‘Busan Partnership for Effective Development Co-Operation’, Fourth High Level Forum on Aid Effectiveness (Busan, Republic of Korea, 29 December 2011), 1,

<http://www.oecd.org/dac/effectiveness/HLF4%20proceedings%20entire%20oc%20for%20web.pdf>.

²⁴ ‘Busan High Level Forum on Aid Effectiveness: Proceedings’, 29 December 2011, 9.

Australian aid to Palestine, it uses these pillars as a preliminary step in the assessment of relevancy. However, it specifically focuses on the first three pillars: ownership, alignment and harmonisation. The five pillars outline what makes effective aid, whereas this paper is analysing whether this aid is relevant. The question is slightly different, and the first three pillars are more pertinent to this report's analysis of relevance because they directly deal with the question of whether or not the objectives of the donor and partner are similar, and what outcomes will result from these objectives. While measurable results are important, they are less crucial in an assessment of relevancy and so will be given less weight than the first three pillars.

There are additional criteria for aid assessment that will not be used in this paper. For example, the Development Policy Centre at the Australian National University has produced several reports suggesting further criteria in addition to the Paris Declaration to ensure the ongoing effectiveness of aid.²⁵ However, these are not universally agreed upon, and thus it is not fair to assess Australian aid against these criteria. Given Australia is a signatory to the Paris Declaration; this paper uses only these institutionalised metrics, as these are metrics Australia should be achieving as a minimum, and metrics to which it can be held accountable if it does not achieve them. Moreover, it is worth acknowledging that while relevant aid is something Australia should be striving for, it may not be the first priority for Australia in its aid provision. It is outside the scope of this paper to fully explore the reasons why Australia might not prioritise relevancy, however the (self-admitted) self-interested nature of Australian aid likely has large effects on the decisions that have been made in Australia's aid to Palestine.²⁶

²⁵ Matthew Morris, and Jonathan Pryke, 'Beyond Paris: 11 Innovations in Aid Effectiveness' (The Australian National University, Canberra: Development Policy Centre, Crawford School of Public Policy, November 2011), 4.

²⁶ 'Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability' (Commonwealth of Australia, Department of Foreign Affairs and Trade, 18 June 2014), 1.

In addition to formal criteria for assessment, this paper also uses interview data in order to ensure diverse knowledgeable perspectives were considered in its assessment of Australian aid. Assessment of aid is, to an extent, a subjective practice. There are shades of interpretation, and questions that are worth considering from a wide variety of angles. For this reason, three individuals with different experiences of, and thus perspectives on aid in the Australian and Palestinian context were interviewed for this research:

- (i) Ambassador Izzat Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand, and the Pacific;
- (ii) Luke Wild, Director of Middle East Development Section, in Middle East and Africa Division at Department of Foreign Affairs and Trade and
- (iii) Robin Davies, Associate Director at the Development Policy Centre at the Australian National University.

Ambassador Abdulhadi shed important light on the situation in Palestine and the way development occurs there, while Mr Wild explained the Australian context. Mr Davies provided a more removed perspective, encouraging a critical assessment of both sides. This paper uses their perspectives to assist in addressing questions raised about Australian aid. Their answers often provided helpful places to begin analysis, and their knowledge and time was greatly appreciated.

Before focusing on the specifics of Australian aid, there is one more important aspect of aid assessment to note: the need to be cautious of generalisations. There is no one policy that works in every situation. Every context has its own specific situation that must be acknowledged and balanced in order for aid to have an impact, which is a crucial aspect of aid deliverance. As Ambassador Abdulhadi explained, "If it is relevant to the needs and priorities [of the partner state] then for sure it will have an impact. Impact means 'to change' the socio-economic and political life of certain communities."²⁷ The Paris Declaration outlines some broad guidelines about the development of relevant and effective aid programs, however it cannot be applied in the same way in every situation if

²⁷ Izzat Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific, interview by Eleanor Kay, 15 April 2016.

an impact is desired.²⁸ Rather, aid will need to be tailored to the specific situation facing a country. The situation in Palestine is especially unique. While there are certain sub-categories of states, Palestine does not fit any mould exactly; it is not just a less-developed country, it is not a failed state, it is not a traditional cross-border conflict situation, nor is it a typical internal conflict situation. The power dynamics present in the occupation are unique and thus the traditional mould of development and aid does not necessarily fit.²⁹ As aid is given to Palestine, donors must recognise the uniqueness of the Palestinian situation and programs must be developed accordingly. The specifics of the Palestinian situation will be explored more deeply later in this report.

Understanding the context of the Palestinian situation is particularly critical given the important role that both the donor and the partner must play in ensuring aid is effective and does not lead to dependency.³⁰ Even the linguistic use of the word “partner” demonstrates the active role that developing states must play in an aid context – these states are not merely recipients, but partners in the process of development in which aid plays a fundamental part. Thus a deeper understanding of the uniqueness of the Palestinian situation will help in assessing aid to Palestine. It is also the reason that recommendations in this paper will address improvements and changes that need to be made by both Palestine and Australia. As the Paris Declaration outlines, mutual accountability and responsibility are important in aid provision, and thus the recommendations will address both groups.

Having outlined the relevant literature and the criteria used to assess Australian aid to Palestine in this report; the next chapter will examine the specific aid programs Australia has implemented and begin the critical assessment of Australian aid.

²⁸ Morris, and Pryke, ‘Beyond Paris: 11 Innovations in Aid Effectiveness’, 8.

²⁹ George T. Abed, ed., *The Palestinian Economy: Studies in Development under Prolonged Occupation* (London: Routledge, 1988), 7–8.

³⁰ de Torrente, ‘The Relevance and Effectiveness of Humanitarian Aid: Reflections about the Relationship between Providers and Recipients’, 608.

Chapter 1: The Palestinian National Development Plan and the Australian Aid Investment Plan

Australia's aid program to Palestine is small, yet comprehensive. On a surface level, it has some excellent displays of alignment and harmonisation, and there are positive impacts of the program. This chapter outlines the aid program and analyses how it demonstrates ownership, alignment and harmonisation. It then proposes some questions that will be explored in the next chapter.

Before assessing the aid program, it is important to have a thorough understanding of the objectives and projects of Australia's aid to Palestine. Australia's aid program to Palestine has two main objectives. The first is to improve public financial management and contribute to a more competitive agricultural economy in Palestine.³¹ In order to achieve this objective, there are several programs in place. Firstly, \$10 million is given per year to the Palestinian Authority (PA) through the World Bank's Palestinian Reform and Development Plan (PRDP) multi-donor trust fund. This amount is assessed annually to determine if it is an effective use of money. The next program contributing to this objective is the third phase of the Australian Middle East NGO Cooperation Agreement (AMENCA 3). This is a \$40 million five-year program implemented by Australian NGO's in partnership with Palestinian civil society organisations.³² This program has a focus on 'Palestinian farmers connecting to markets', and aims to make agriculture a driver of economic growth, by increasing the productivity and competitiveness, and thus the income, of Palestinian farmers. In so doing, it aims to increase the market readiness of all people, strengthen communities, empower women and youths economically, and develop more viable business models to ensure supply is able to most effectively reach the market. Finally, this objective will be addressed through a five-year scholarship program for 50 young Palestinian leaders, who will be invited to study in

³¹ 'Aid Investment Plan: Palestinian Territories 2015-2019', 3.

³² 'Aid Program Performance Report 2014-15: Palestinian Territories' (Commonwealth of Australia, Department of Foreign Affairs and Trade, 30 October 2015), 4, <http://dfat.gov.au/about-us/publications/Pages/palestinian-territories-aid-program-performance-report-2014-15.aspx>.

Australia within academic disciplines that develop skills in public financial management and the agricultural sector.

The second objective of Australian aid to Palestine is to ensure that refugees in Palestine and the surrounding region have access to quality basic services.³³ This objective is achieved through funding the United Nations Relief and Works Agency (UNRWA). In 2015-16, Australia's funding to Palestine, aggregating the costs of all these projects, was \$42.8 million.³⁴ This is approximately 0.5% of the Palestinian GDP.

The Australian aid program is a small-scale program. Palestine has other, far more significant donors than Australia. For example, the USA gives around \$400 million annually.³⁵ However, despite the small size of Australia's aid program, it is still worthwhile assessing whether it is relevant and effective, using the criteria of the Paris Declaration. Firstly, the question of ownership arises: has the Palestinian government provided clear direction for development? This paper argues that this has definitely been achieved – the PA has developed a National Development Plan (NDP) that outlines in detail the desired path for Palestinian development. The key policy priorities outlined in the plan include establishing a sovereign state of Palestine, gaining control over their natural resources; building their national economy; strengthening their institutions, including achieving fiscal stability; alleviating poverty and promoting social justice particularly for minority and repressed group; building a democratic political process, enshrining respect of human rights in their communities; and engaging on an international level as the State of Palestine, including signing international treaties and conventions.³⁶ (See Figure 1). Ambassador Abdulhadi summarises these priorities by saying “the macro objectives of the Palestinians is the steadfastness of the Palestinian people and resistance of the Israeli occupation,

³³ 'Aid Investment Plan: Palestinian Territories 2015-2019', 4.

³⁴ Ibid., 1.

³⁵ Jim Zanotti, 'U.S. Foreign Aid to the Palestinians', CRS Report (Congressional Research Service, 18 March 2016), <https://www.fas.org/sgp/crs/mideast/RS22967.pdf>.

³⁶ 'National Development Plan 2014-2016: State Building to Sovereignty', 11.

and to contribute to the building of the independent state and a viable economy and democratisation”.³⁷ These priorities are accompanied in the NDP by goals and indicators to ensure results are measurable. Furthermore, various ministries within the PA have developed strategies for development, such as the National Agricultural Sector Strategy, released by the Ministry of Agriculture. This document outlines the vision, objectives, policies and programs of the agricultural sector in order to achieve more widespread development. These documents demonstrate clear ownership of Palestinian development by the PA.

Figure 1: Palestinian Key Policy Priorities³⁸

- In line with the two-state solution and on the basis of the 1967 border, establish state sovereignty and assert control over natural resources. Special attention will be paid to Area C, particularly the Jordan Valley and Dead Sea area, as well as to development of East Jerusalem and Gaza.
- Recover and build a knowledge-based national economy, reinvigorate the private sector, enhance corporate social responsibility, and enhance productive capacity and fair competition, especially in agriculture, industry, tourism, and information technology.
- Continue the institution building process, achieve fiscal stability, improve effective state functions, and develop capacity to deliver equitable, high-quality public services.
- Alleviate poverty and unemployment and promote social justice, taking account of discrepant needs and conditions of various social groups on the basis of gender, age, disability, and geographical regions.
- Enact a democratic political apparatus and promote community safety on grounds of respect of human rights, integrity, transparency and accountability.
- Enhance the visibility of the State of Palestine in Arab, regional and international forums and meet necessary conditions to accede to various international treaties and conventions. To this end, and to meet the higher national interest, national legislative and institutional structures will be developed in line with the requirements of these treaties and conventions.

Not only do these documents demonstrate ownership, they also provide a helpful starting point for assessing the alignment of Australian aid with Palestinian development objectives. On a surface level, the Australian Aid Investment Plan (AIP) correlates neatly with the Palestinian development priorities (see Figure 2). While the Palestinian NDP aims to build the national economy, Australia’s first objective in its AIP is the promotion of economic growth and creation of a more competitive economy. While the Australian aid input is not as extensive as it would need to be to create serious macro change in

³⁷ Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific.

³⁸ ‘National Development Plan 2014-2016: State Building to Sovereignty’, 11.

the Palestinian economy, it is predominantly focused on contributing to economic growth in Palestine. This Australian objective also addresses fiscal stability, another goal of the Palestinian NDP, as it supports public financial management through training young Palestinian leaders in these skills. Australia's financial commitment to UNRWA demonstrates a commitment to the Palestinian priority of alleviating poverty, and the emphasis in the AMENCA 3 program on empowering women and youth demonstrates a further practical way of promoting social justice. The Australian AIP addresses three of the stated priorities of the Palestinian NDP, which demonstrates alignment to the values of the PA. Viewed from the reverse perspective, all of the Australian projects and objectives are also priorities in the Palestinian NDP. This demonstrates that the Australian program is aligned with the Palestinian NDP. Furthermore, the Australia-PA Partnership Arrangement, signed in 2011, demonstrates a structural diplomatic commitment to alignment between the priorities of the PA and Australian aid.³⁹

Figure 2: Comparison of NDP Priorities and AIP Objectives

NDP Priorities	AIP Objectives and Programs
Establish a sovereign state of Palestine, gaining control over natural resources	<i>Stated support for two-state solution</i>
Build national economy	Objective 1: economic growth and creation of a more competitive economy
Strengthen institutions, including achieve fiscal stability	Training young Palestinian leaders in public financial management through the scholarship program
Alleviate poverty and promote social justice particularly for minority and repressed group	Objective 2: Provision of basic services to refugees in Palestine and the region through UNRWA; AMENCA 3 focus on empowering women and youth
Build a democratic political process, enshrining respect of human rights in communities	
Engage on an international level as the State of Palestine, including signing international treaties and conventions	

³⁹ Luke Wild, Director of Middle East Development Section, Department of Foreign Affairs and Trade, interview by Eleanor Kay, 12 May 2016.

The astute reader will have noticed that some of the Palestinian priorities are not mentioned in the Australian AIP. While it is in the interests of a small aid program to focus on only a few priorities in order to achieve maximum impact for their efforts, it is noticeable that the first and main goal of Palestinian development is not an objective of Australian aid. While “supporting state building and the peace process” was previously a stated objective for Australian aid to Palestine, this is no longer an explicit objective of Australian aid.⁴⁰ The World Bank has determined that the PA now has sufficient institutional capacity to govern, and thus Australia has concluded that institution building is no longer necessary in Palestine.⁴¹ This explains why Australia does not have an explicit objective of state building, or institution building, while the Palestinian NDP mentions these as their first and third goals. However, in the AIP there is a clear statement of support for the two-state solution and the establishment of the Palestinian state using the 1967 borders.⁴² While it is not an expressed objective of Australian aid, it would seem that Australia is expressing some support towards the establishment of a Palestinian state.

With respect to harmonisation, again the Australian AIP is quite successful. The majority of Australia’s programs are administered through a third party, which enhances the ability for aid to be harmonised with other donors.⁴³ Support to the PA is given through the World Bank’s PRDP trust fund, from which the World Bank gives money and support to the PA from multiple donors around the world. The AMENCA 3 program is run by specifically chosen NGO’s, and UNRWA administers support for refugees. Each of these partners is able to bring specific skills and expertise that Australia cannot provide, given the small size of its program and its geographical distance from Palestine. Thus they are able to ensure that its programs are complementing programs by other donors, rather than duplicating work or confusing the development process.

⁴⁰ ‘Aid Program Performance Report 2014-15: Palestinian Territories’, 9; ‘Aid Investment Plan: Palestinian Territories 2015-2019’, 3.

⁴¹ ‘Aid Investment Plan: Palestinian Territories 2015-2019’, 3.

⁴² Ibid.

⁴³ Robin Davies, Associate Director of the Development Policy Centre, ANU, interview by Eleanor Kay, 22 April 2016.

Given that the main aim of this paper is to discuss relevancy, the Paris Declaration's emphasis on results and mutual accountability are less applicable. It is worth noting that even on these points, Australia is doing well. DFAT reports frequently analyse measurable results and allow peer reviews of Australia's aid programs as part of accountability.⁴⁴ However, focusing on the three pillars that are specifically related to relevancy, it is clear that Australia's program on the whole is relevant to Palestine. The PA has taken ownership of Palestinian development and provided development goals and objectives to which Australia has aligned its aid objectives and programs. These programs are harmonised with other donors through Australia's reliance on third parties to implement its aid to Palestine. Thus with a preliminary analysis of the Palestinian NDP and the Australian AIP, Australia's aid ticks all the important boxes.

However, there are underlying questions that are worth exploring more deeply. In particular, it is curious to note the shift in Australia's objectives away from state building and towards economic growth. It must be asked if this shift is likely to increase the impact of Australian aid, or damage it. While it is apparent that Palestine has the objective of economic growth, it maintains state building as its number one priority. This is evident in its positioning on the list of key priorities in the NDP, and because lack of statehood is consistently listed as the number one challenge for development for Palestine throughout the NDP.⁴⁵ Australia's movement away from this objective is thus intriguing, and it is worth considering its effect on the impact and thus relevancy of Australia's program. The program as it stands is not necessarily irrelevant, bad, or wrong; yet it is important to assess how this change in focus might be affecting the relevancy of the aid program. The following chapter explores this question.

⁴⁴ 'OECD Development Co-Operation Peer Review: Australia 2013', The Development Assistance Committee: Enabling Effective Development (OECD, 2013), <http://www.oecd.org/dac/peer-reviews/peer-review-australia.htm>.

⁴⁵ 'National Development Plan 2014-2016: State Building to Sovereignty', 30.

Chapter 2: Economic Development in Palestine

There has been a shift across Australia's entire aid program towards economic growth as a driver of development.⁴⁶ This new approach to development and international assistance can be seen specifically in the stated objectives of the Australian AIP for Palestine. In some circumstances, this move towards economic growth has demonstrable positive effects, such as in Indonesia where donor support towards economic growth has catalysed immense development.⁴⁷ This chapter seeks to determine if such a change is possible in Palestine, and thus if the shifting focus of Australian aid is relevant to Palestinian development. In order to do so, the chapter will first explore the needs of the Palestinian people, as seen in the NDP, before assessing the barriers to economic development and growth. It will become apparent that there are severe constraints and structural inequalities that hinder economic development. This report argues that without first addressing these structural issues; a focus on economic growth is less relevant to the Palestinian people than a focus on state building.

The economic situation in Palestine is far from desirable. Poverty rates are incredibly high, with 17.8% of residents of the West Bank living in poverty, and 38.8% of people in Gaza.⁴⁸ Unemployment rates are some of the highest in the world, with a total rate of 25.2%.⁴⁹ However, this percentage is significantly higher for people in Gaza, and particularly for young people and women. The unemployment rate for young people (those aged between 20 and 24) is 43.9%, hiking to 62.1% among women.⁵⁰ Clearly economic development, providing greater opportunities for employment, could make a significant contribution to decreasing poverty and unemployment rates.

⁴⁶ Wild, Director of Middle East Development Section, Department of Foreign Affairs and Trade.

⁴⁷ 'Development Assistance in Indonesia', *Australian Government Department of Foreign Affairs and Trade*, accessed 6 May 2016, <http://dfat.gov.au/geo/indonesia/development-assistance/pages/development-assistance-in-indonesia.aspx>.

⁴⁸ 'National Development Plan 2014-2016: State Building to Sovereignty', 32.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

Although there is a need for economic development, GDP growth over the past decade has not been rapid. Despite predictions by the PA that GDP would continue to grow, there has been a sharp slow-down, resulting in predictions that GDP growth will fall to 1% in 2016.⁵¹ (See figure 3) Furthermore, the PA openly admits to its inability to achieve fiscal stability, and thus its need to rely on donors for financial support.⁵² This reliance on foreign aid is not sustainable, not the least because of the unpredictability of aid flows. For example, Australia cut its aid to Palestine by 40% in 2015 due to universal cuts to the aid program.⁵³ When other nations are equally unpredictable, this leads to massive differences in income for the PA, making fiscal responsibility and stability difficult. Economic growth could answer many of these issues, providing opportunities for the PA to become more self-reliant rather than aid dependent, increasing GDP, providing employment opportunities and decreasing poverty rates.

Thus economic development is an important goal for Palestine. The question must be asked, however, why it has not come to pass already? Academic literature widely accepts that domestic institutions primarily determine economic performance and growth.⁵⁴ Yet in the Palestinian context, the World Bank has stated that the PA has sufficient institutions for governance, so much so that Australia does not think institution building is necessary.⁵⁵ In the Palestinian context, the institutional capacity of the PA is not the main restrictor of economic growth. Rather, economic growth is restricted due to the occupation by Israel and the murky political and economic relationship between Palestine

⁵¹ Ibid., 16.

⁵² Ibid.

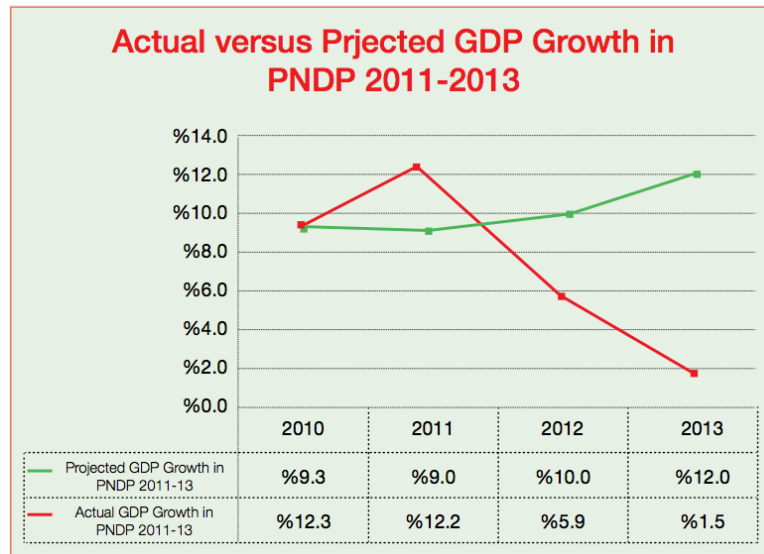
⁵³ Matthew Dornan, 'The Same, the Bad, and the Ugly: Country Allocations in the 2015-16 Budget', *DevPolicy Blog: From the Development Policy Centre*, 12 May 2015, <http://devpolicy.org/the-same-the-bad-and-the-ugly-country-allocations-in-the-2015-16-budget/>.

⁵⁴ Stephen Howes, 'An Overview of Aid Effectiveness Determinants and Strategies' (The Australian National University, Canberra: Development Policy Centre, Crawford School of Economics and Government, January 2011).

⁵⁵ 'Aid Investment Plan: Palestinian Territories 2015-2019', 3.

and Israel.⁵⁶ Until this relationship is addressed and a more viable solution is found, Australian aid focusing on economic development will be decreasingly relevant.

Figure 3: GDP Growth in Palestine⁵⁷



The economic relationship between Israel and Palestine is formalised in the Paris Protocol on Economic Relations, signed in April 1994 as part of the Oslo Agreements. These agreements established guidelines outlining how the relationship between the two groups was to continue. They were supposed to be transitional, only remaining in existence for five years until the State of Palestine was established, however they are still in practice now, 20 years on.⁵⁸ The Paris Protocol has impressive and desirable goals, including promoting the development of the Palestinian economy as an independent, self-reliant economy, with freedom of movement of goods and a fair trade relationship between the two groups.⁵⁹ However, even five years into this established economic relationship, serious concerns were being raised as to whether the

⁵⁶ Abed, *The Palestinian Economy: Studies in Development under Prolonged Occupation*, 8.

⁵⁷ 'National Development Plan 2014-2016: State Building to Sovereignty', 16.

⁵⁸ Mahmoud Elkhafif, Misyef Misyef, and Mutasim Elagraa, 'Palestinian Fiscal Revenue Leakage to Israel under the Paris Protocol on Economic Relations' (New York and Geneva: United Nations Conference on Trade and Development, 2014), 7, http://unctad.org/en/PublicationsLibrary/gdsapp2013d1_en.pdf.

⁵⁹ Ibid., 8.

Paris Protocol was working towards these aims effectively.⁶⁰ While the Protocol was meant to establish a customs union where the Palestinian economy could benefit from trade with Israel and economic relations internationally, in reality it created an “incomplete and one-sided customs union” where Israel has complete control over the trade relationship and Palestine has no autonomy.⁶¹ This broken and imbalanced agreement is still the governing document for the economic relationship between Israel and Palestine, causing ongoing issues for economic development.

One example of a way in which the Paris Protocol effects economic development in Palestine is through trade. The Protocol requires both sides to have the same customs rates and purchase taxes.⁶² However, the rates and taxes were set at the Israeli level. Given the starting imbalances between the two economies, this makes trade expensive and causes difficulties for the Palestinian economy to be competitive both in the region and internationally.⁶³ Moreover, no Palestinian presence is allowed at border crossings and ports controlled by Israel.⁶⁴ These policies, set by Israel and enshrined in the Paris Protocol, make it difficult for Palestine to import and export goods. This in turn damages the Palestinian manufacturing industry and contributes to fewer employment opportunities and thus the high unemployment figures discussed previously.⁶⁵ Furthermore, Article VII of the Protocol allows each side to change regular movement of labour

⁶⁰ A Arnon and J Weinblatt, ‘Sovereignty and Economic Development: The Case of Israel and Palestine’, *The Economic Journal* 111, no. 472 (2001): 292.

⁶¹ Elkhafif, Misyef, and Elagraa, ‘Palestinian Fiscal Revenue Leakage to Israel under the Paris Protocol on Economic Relations’, 1.

⁶² ‘Protocol on Economic Relations between the Government of the State of Israel and the P.L.O., Representing the Palestinian People’, 29 April 1994.

⁶³ Elkhafif, Misyef, and Elagraa, ‘Palestinian Fiscal Revenue Leakage to Israel under the Paris Protocol on Economic Relations’, 10.

⁶⁴ Ibid.

⁶⁵ Christoph Duenwald, Udo Kock, and Anna Unigovskaya, ‘Recent Experience and Prospects of the Economy of the West Bank and Gaza’, Staff Report Prepared for the Meeting of the Ad Hoc Liaison Committee (Brussels: International Monetary Fund, 19 March 2013), 7; ‘West Bank and Gaza: Area C and the Future of the Palestinian Economy’ (Poverty Reduction and Economic Management Department, Middle East and North Africa Region: World Bank, 2 October 2013), 2.

into its area “from time to time”.⁶⁶ Such allowances have been utilised by Israel, making it difficult for Palestinian workers to continue to gain employment in Israeli territory. This used to be a viable option for Palestinians, however, with impediments to the movement of labour has come higher unemployment rates in Palestine.⁶⁷ The conditions of the protocol make it difficult for the Palestinian economy to grow.

There are further effects of the Oslo Agreements that make Palestinian development difficult. For example, the Oslo Agreements were meant to establish a time of transition wherein areas under Israeli control would transition to be under Palestinian control. In particular, territory in the West Bank labelled ‘Area C’ (see figure 4) would go from being totally under the control of Israel to being under Palestinian control in five years. Again, 20 years on, much of Area C is still inaccessible to Palestinians.⁶⁸ Unfortunately, Area C is almost 60% of the West Bank and contains the majority of Palestine’s natural resources, including agricultural land and water resources. A 2009 World Bank report estimated that if Israeli restriction on water sources in the West Bank were lifted, GDP would increase by up to 10% due to increased agricultural opportunities, and approximately 110,000 job opportunities would be created.⁶⁹ This is due to the increase in investments, and corresponding taxes and revenue that could be raised if Palestinians had access to their own natural resources.⁷⁰ Overall, restrictions on Area C are estimated to cost Palestine \$3.4 billion USD per year, which is 35% of the Palestinian GDP.⁷¹ These statistics demonstrate that the most pressing restriction on Palestinian economic development is the Israeli occupation.

⁶⁶ ‘Protocol on Economic Relations between the Government of the State of Israel and the P.L.O., Representing the Palestinian People.’

⁶⁷ Duenwald, Kock, and Unigovskaya, ‘Recent Experience and Prospects of the Economy of the West Bank and Gaza’, 7.

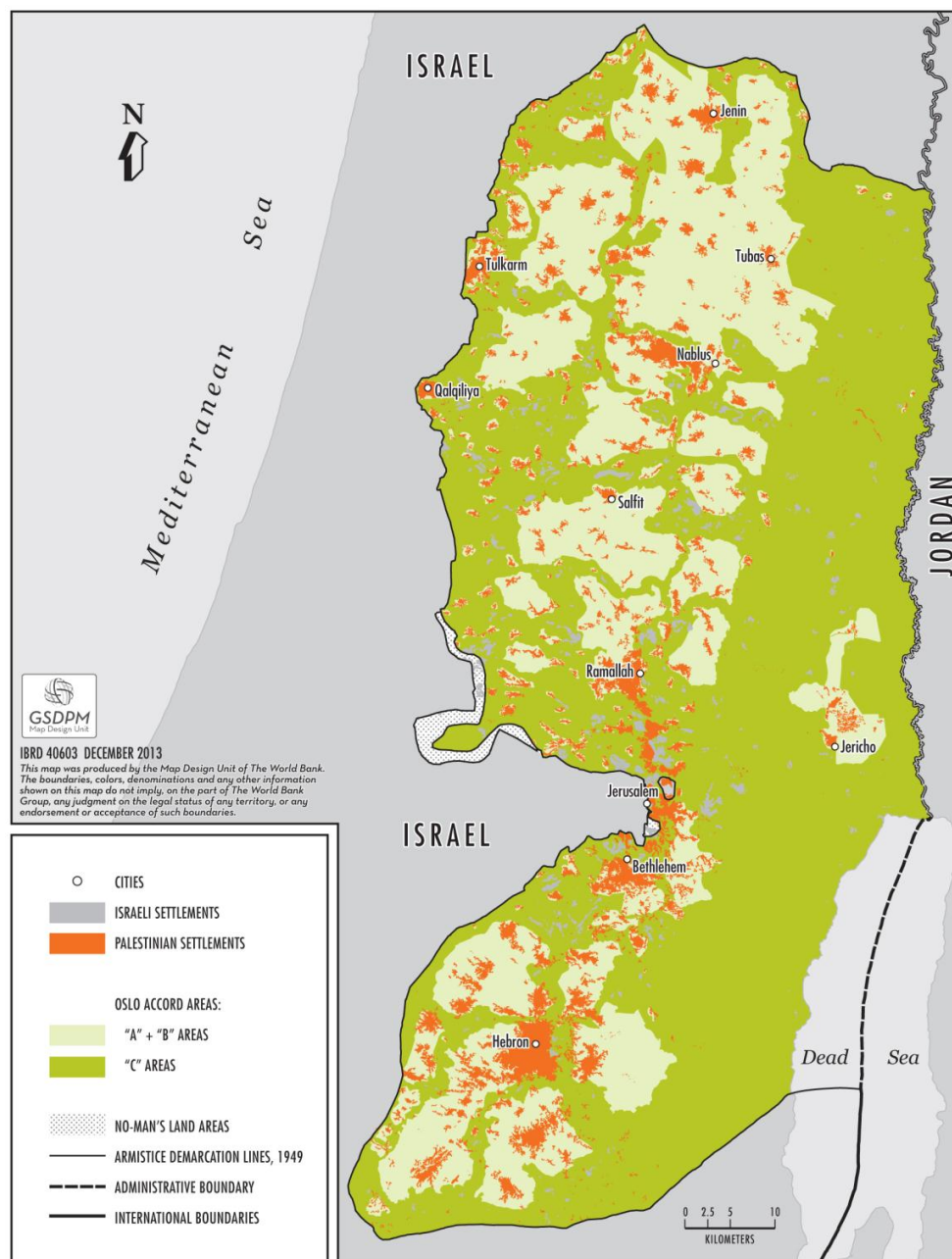
⁶⁸ ‘West Bank and Gaza Country Profile’, *The World Bank*, last modified 1 April 2016, <http://www.worldbank.org/en/country/westbankandgaza>.

⁶⁹ ‘National Agriculture Sector Strategy 2014-2016: “Resilience and Development”’ (Ministry of Agriculture, State of Palestine, 2014), 12.

⁷⁰ Elkhafif, Misyef, and Elagraa, ‘Palestinian Fiscal Revenue Leakage to Israel under the Paris Protocol on Economic Relations’, 17.

⁷¹ ‘Aid Investment Plan: Palestinian Territories 2015-2019’, 2.

Figure 4: Map of the West Bank, differentiating Areas A, B and C⁷²



Thus it is clear that if Australia wants its aid to support economic growth in Palestine, there are far more pressing concerns than just supporting the agricultural sector. While this is not necessarily a bad objective, it is obvious that agricultural development is severely limited given Israeli control over Area C and the unequal economic relationship established by the Paris Protocol, and thus the impact of Australian aid is lessened. As Ambassador Abdulhadi states, “you

⁷² ‘West Bank and Gaza: Area C and the Future of the Palestinian Economy.’

cannot really talk about a viable economic process when we cannot control anything".⁷³ Meaningful development cannot be achieved until Palestine has independence from Israel.⁷⁴ Thus a far more relevant objective for Australia's aid would be to combat some of these issues by attempting to negotiate for change with Israel.

It is worth considering an objection to this argument. It is possible to argue that Australia's aid is not trying to affect economic growth on the macro level. Australia's aid package is too small to have such a wide-reaching objective; rather, Australian aid is trying to achieve agricultural economic advances that impact individuals and communities, leading to growth in small- to medium-sized industries in the private sector rather than macro growth across the whole nation.⁷⁵ This objective is impacted less by Israeli restrictions, and thus Australia's aid is still relevant. There are truths in this argument – Australia's aid program is small and cannot expect to have macro economic change. Moreover, Australian aid is increasingly focused on the private sector as a key partner in development.⁷⁶ However, this argument does not acknowledge that the private sector faces many constraints in Palestine as well.⁷⁷ Life in Palestine, even to the smallest extent, is impacted by the Israeli occupation. Agricultural development requires Palestinian control over Palestinian land, a reality that is not always ensured. Agricultural development also requires the ability to import and export, and given the Israeli control over ports and crossings, this is difficult for Palestinians in the private sector. Thus even the small economic advances Australia may be aiming to achieve will be impacted and constrained by the occupation.

⁷³ Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific.

⁷⁴ Abed, *The Palestinian Economy: Studies in Development under Prolonged Occupation*, 279.

⁷⁵ Davies, Associate Director of the Development Policy Centre, ANU.

⁷⁶ Wild, Director of Middle East Development Section, Department of Foreign Affairs and Trade.

⁷⁷ 'West Bank and Gaza: Area C and the Future of the Palestinian Economy', 3.

While Australia's aid program has benefits and is bringing positive changes for Palestinians, there are significant constraints to its relevancy. Australia is aware of these constraints – the political and economic ramifications of the occupation are outlined in the Australian AIP.⁷⁸ As Mr Wild notes, “a political settlement is the only way to encourage substantial and sustainable investment to build a vibrant private sector and reduce the decline in development.”⁷⁹ If Australian aid is to increase in relevancy, there must be political changes that address structural inequalities impacting Palestinian development. The next chapter will explore Australia's role in addressing the structural inequalities facing Palestine.

⁷⁸ 'Aid Investment Plan: Palestinian Territories 2015-2019', 1.

⁷⁹ Wild, Director of Middle East Development Section, Department of Foreign Affairs and Trade.

Chapter 3: The Importance of Power Dynamics

As this report has stated, Australian aid could be more relevant if it is accompanied by political moves to support the independence of Palestine. However, this is unlikely to happen in the foreseeable future, given Australia's political and economic relationship with Israel. This chapter examines Australia's relationship with Israel in more depth, within the context of the power dynamics at play in the Israel-Palestine conflict. This chapter argues that Australia's tendency to disregard the power dynamics is detrimental to the relevancy of its aid to Palestine.

In order to understand the effects of power dynamics in international relations, it is worth taking a quick hiatus into economic game theory. The concepts in game theory are particularly applicable in the case of Israel and Palestine. Israel and Palestine are two players in a bargaining game, bargaining over one 'pie': the territory in which they both reside. Both players, and the international community, are ultimately hoping for a solution in which neither player can achieve an outcome they would prefer without making the other player worse off – a Pareto optimal solution. In a bargaining game, the results are dependent on time. If one player is able to wait for longer, or in other words, if one player can be more "patient", then that player will receive more of the 'pie' for which they are bargaining.⁸⁰ This means that when one player has more power, and thus is able to wait longer for a result, they will receive more benefit in the final outcome. Ultimately, if the desire is to reach an equal solution, where both parties have an equitable amount of the pie, you must have two equal players. When unbalanced power dynamics are brought into the game – when players are not equal – the solution to a bargaining game will be continuing inequality.

The situation in Palestine has obvious power dynamics, which affect the ability of each side to be patient. Israel is economically more developed, its military is superior and it is internationally recognised as a state. Meanwhile, Palestine is occupied, without access to its natural resources and full control over its

⁸⁰ Areil Rubinstein, 'Perfect Equilibrium in a Bargaining Model', *Econometrica* 50, no. 1 (1982): 97–109.

economy. The existing power imbalance is evident in the Paris Protocol. While the name of the Protocol might sound like the agreement is between two equal parties, the “Government of the State of Israel and the P.L.O., representing the Palestinian people”, in reality there is deep inequality between the two parties.⁸¹ The Protocol was negotiated while Israel was the occupying power, and thus is a result of foreign power that undermines Palestinian human rights.⁸² This is seen in the way the negotiation process used a “carrot and stick approach” – offering a customs union under the Israeli terms and threatening action to prevent Palestinians gaining employment in Israel.⁸³ The Palestinians faced a trade off between damaging the employment opportunities of their people, and losing control over their own economy. It was a lose-lose situation, but due to the unequal bargaining power, they had to accept it.⁸⁴ Moreover, the Protocol was negotiated on Israel’s terms, using Israel as the benchmark and expecting Palestine to adjust to the Israeli level.⁸⁵ This is why the Protocol is problematic – it is an agreement born out of unequal power dynamics, and it continues to uphold these inequalities. The Protocol does not specify all contingencies – this would be impossible – but it also does not outline an efficient and effective mechanism for enforcing the agreement. The Joint Economic Committee it established is flawed and defunct.⁸⁶ Given this lack of an adequate means of enforcing the agreement, the Protocol is an “incomplete contract” and cannot be successful as an agreement.⁸⁷ The starting point of inequality in the bargaining game has led to an unequal agreement that perpetuates inequalities, to the point that “there is no other example of such a large discrepancy between a developed economy and that of a less developed country when the geographical distance

⁸¹ Arnon and Weinblatt, ‘Sovereignty and Economic Development: The Case of Israel and Palestine’, 295.

⁸² Bashar H. Malkawi, ‘Palestinian Economic (under)development: The Hurdles’, *The International Journal of Human Rights* 13, no. 4 (2009): 531.

⁸³ Arie Arnon, ‘Israeli Policy towards the Occupied Palestinian Territories: The Economic Dimension, 1967-2007’, *Middle East Journal* 61, no. 4 (2007): 585.

⁸⁴ Arnon and Weinblatt, ‘Sovereignty and Economic Development: The Case of Israel and Palestine’, 296–297.

⁸⁵ Elkhafif, Misyef, and Elagraa, ‘Palestinian Fiscal Revenue Leakage to Israel under the Paris Protocol on Economic Relations’, 10.

⁸⁶ *Ibid.*, 9.

⁸⁷ Arnon and Weinblatt, ‘Sovereignty and Economic Development: The Case of Israel and Palestine’, 302.

between the two is negligible”.⁸⁸ It is evident that the power dynamics in a bargaining game cannot be ignored – they directly affect the outcome and have ongoing implications for equality.

This means that if Australia genuinely desires to bring economic growth to Palestine, it must acknowledge and consider the effects of the power imbalances. Israel is able to be more patient, as it has more benefits such as a stronger economy and the ability to provide services for its citizens. Without deliberate attempts to counter the inequalities in the situation, any solution will maintain the imbalances of the current system and be detrimental to Palestinian economic growth. However, Australia does not seem willing to counter the current inequalities. Rather, Australia maintains a positive, economically beneficial relationship with Israel, gives aid to Palestine to support them in development, and leaves the two sides to “search for a solution” without noting its influence on that solution.⁸⁹

Australia has a “warm and close relationship with Israel” according to DFAT.⁹⁰ This is demonstrated economically, politically and socially. Economically, there are strong trade links between the two nations, with \$961 million of two-way trade exchanged in 2014.⁹¹ This positive relationship extends to commercial companies, who are encouraged to “view Australia as a regional base and as a supplier of sophisticated goods and services.”⁹² Politically, there is increasing cooperation between the two states, and a number of treaties are currently being negotiated around innovation and double taxation.⁹³ Socially, there is a large

⁸⁸ Arnon, ‘Israeli Policy towards the Occupied Palestinian Territories: The Economic Dimension, 1967-2007’, 579.

⁸⁹ ‘Israel Country Brief’, Australian Government, *Department of Foreign Affairs and Trade*, accessed 15 April 2016, <http://dfat.gov.au/geo/israel/Pages/israel-country-brief.aspx>.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Ibid.

Jewish community in Australia, numbering about 90,000, who actively support and continue to lobby for a positive relationship between Australia and Israel.⁹⁴

The DFAT overview of Australia's relationship with Israel goes on to mention the aid program in Palestine. It is described as helping to "build the capacity of Palestinian individuals and institutions to take on the responsibilities of a Palestinian state, maintaining enablers of economic growth, and keeping disadvantaged Palestinians out of poverty through social protection and the promotion of business opportunities."⁹⁵ As Mr Davies describes the aid program, "it's hard to say none of that is relevant – it all looks ok on the surface, but I guess what's really noticeable about it... is it is a very hands off program... Australia wants to be seen as engaged, but is doing so in a way that is as hands off as possible."⁹⁶ This is clearly seen in the structure of the aid program and the prevalence of programs run by third parties, and even in the way information is publicly disseminated. It is physically represented on the DFAT Israel overview webpage, where it is stated that "while the parties search for a solution", Australia will continue to maintain both its warm relationship with Israel and its aid relationship with Palestine. Australia deliberately distances itself from contributing in any way to the solution. However, leaving the two parties to bargain for a solution means the result will once more be an inequitable one, much as the Paris Protocol was inequitable. International actors will need to contribute to the process of finding a solution, or else existing inequalities will continue. This is not beneficial for Palestinians, and undermines the relevance of Australian aid. If Australia wants to build economic development in Palestine through its aid program, the context of political power cannot be ignored. It must be acknowledged and acted upon.

Yet even in the international sphere, where opportunities arise for international actors to contribute to a solution, Australia maintains a 'hands off' approach. This is particularly clear in votes that have occurred at the United Nations. In 2012,

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Davies, Associate Director of the Development Policy Centre, ANU.

Australia abstained from voting on a resolution put to the United Nations General Assembly to grant Palestine “non-member observer state status”.⁹⁷ In 2014, Australia voted against a resolution to the Security Council calling for Israel to withdraw from Palestinian territory within three years, and for a negotiated solution to be reached within one year.⁹⁸ The Australian representative to the council justified this vote on the basis that the text was one-sided and did not have the balance necessary to resolve the complex issue.⁹⁹ The United States was the only other state to vote against the resolution, with a further five members who abstained from the vote. It is interesting to note that other states, such as France, also had concerns about the text’s imbalance and yet chose to vote for the resolution despite these imperfections, due to the urgent need to reach a conclusion.¹⁰⁰ Despite having similar concerns, France and Australia reached different conclusions and thus voted in different ways on this issue. Australia chose to side with Israel, who had labelled the resolution “preposterous”, in the interests of ‘balance’.¹⁰¹ Yet balance is only called for when there are two equal parties. When one party has more power, balance can be problematic – rather, support for the party with less power is important in order to counter the imbalances of the system. Thus in campaigning for ‘balance’, Australia is perpetuating the power of Israel, which is expressly undermining the relevance of its aid to support economic development in Palestine.

⁹⁷ Marty Harris, “‘Diplomatic Terrorism’: Palestinian Statehood, the United Nations, and Australia’s Voting Record”, FlagPost (Parliamentary Library: Parliament of Australia, 12 May 2014), http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/December/Palestine_at_the_UN; UN General Assembly, *Status of Palestine in the United Nations: Resolution / Adopted by the General Assembly*, vol. A/RES/67/19, 2012, <http://www.refworld.org/docid/50c5e6152.html>.

⁹⁸ Security Council Meetings Coverage, ‘Resolution in Security Council to Impose 12-Month Deadline on Negotiated Solution to Israeli-Palestinian Conflict Unable to Secure Nine Votes Needed for Adoption’, *United Nations*, 30 December 2014, <http://www.un.org/press/en/2014/sc11722.doc.htm>.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

What Australia is doing through its aid is upholding the “status quo”.¹⁰² It is continuing to treat Israel and Palestine as equal players in a bargaining game, supporting both sides in ways applicable to them, but leaving the bargaining game to be sorted by the players only. However, “economic activity is no longer neutral” – upholding the status quo is beneficial for Israel.¹⁰³ The unequal power dynamics result in Israel continuing to dominate Palestine economically and undermine opportunities for economic development. If Australia’s objective in delivering aid to Palestine is actually to support economic development, its relationship with Israel and its support for balance in the negotiations lessens the impact of its aid by making economic development more challenging for Palestine. This means the relevancy of Australian aid is undermined and decreased by Australia’s political relationship with Israel.

¹⁰² Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific.

¹⁰³ Abed, *The Palestinian Economy: Studies in Development under Prolonged Occupation*, 9; Arnon and Weinblatt, ‘Sovereignty and Economic Development: The Case of Israel and Palestine’, 303.

Conclusion: Relevant to whom?

This paper has sought to provide a thorough assessment of Australian aid to Palestine. This has been done in the context of international aid agreements, in particular the Paris Declaration of Aid Effectiveness. Using the pillars of aid effectiveness established in this declaration, it was demonstrated that Australian aid to Palestine is relevant to a surface level, given its alignment to Palestinian development goals and its harmonisation with the work of other donor countries and organisations. The objectives of Australian aid, and the specific programs supported by Australian aid, are working towards achieving specific development priorities as set forward by the PA. In this sense, Australian aid is relevant to Palestine.

However, relevancy is also assessed in comparison to what previously existed, to determine whether a change has increased or decreased relevance. To this end, the second chapter of this report considered the shift in Australian aid away from state building and towards economic development. While it is apparent that economic development is important for Palestine, given the pressing issues of poverty and unemployment, it is also apparent that there are significant constraints to this development. Importantly, the Israeli occupation, including Israel's control over Area C, and the customs union between Israel and Palestine cause difficulties for Palestinian economic development. These barriers mean that Australia's objective of economic development, while important for Palestine, will not be able to be achieved completely without political changes.

Yet as was seen in Chapter 3, the necessary political changes are unlikely to occur due to the unequal bargaining power of Israel and Palestine. Given the inequalities present between the two parties, if they are left to bargain for changes in the political structure alone, the result will continue to be a problematic unequal structure. In this context, it is disheartening to see Australia's attempts to distance itself from the political discussion. While Australia provides important support to Palestine, it also has strong political and economic ties with Israel. In the United Nations, Australia fairly consistently votes against resolutions that attempt to seek a solution; rather suggesting that

the two involved parties should reach a decision without international intervention. This approach will perpetuate continuing inequalities and difficulties for Palestinian development, which undermines the relevance of Australia's aid and its objective to support economic development in Palestine.

Therefore while Australian aid is relevant to Palestine on a surface level, and is achieving positive small-scale developments in Palestine, when the broader political and economic context is considered the relevancy of Australian aid decreases. This is not to delegitimise the work that Australian aid is achieving: this work is important, and is appreciated by the Palestinian people.¹⁰⁴ However, it cannot follow through on its objectives fully while the current political situation exists, and Australia is not actively engaging with the international community to change the situation.

This analysis raises the question of why Australia seems to be unconcerned by the contradictions between its objectives in aid to Palestine and its political relationships. It is outside the scope of this paper to fully explore this question of why, but it is worth dwelling for a moment on this consideration: perhaps Australian aid is not meant to be relevant to Palestine. Perhaps its main goal is to be relevant to Australia. Australia states quite openly that the purpose of the overall Australian aid program is "to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction."¹⁰⁵ While "promoting prosperity, reducing poverty and enhancing stability" are the desired outcomes of aid projects, the overall purpose is to support Australia's interests.¹⁰⁶ It is clearly in Australia's national interests to have peace in the region, however it is also in Australia's interests to avoid putting other countries offside.¹⁰⁷ By giving aid to Palestine, Australia demonstrates support and care for the suffering of those living under occupation in Gaza and the West Bank, earning moral

¹⁰⁴ Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific; Wild, Director of Middle East Development Section, Department of Foreign Affairs and Trade.

¹⁰⁵ 'Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability', 1.

¹⁰⁶ Ibid.

¹⁰⁷ Davies, Associate Director of the Development Policy Centre, ANU.

legitimacy and credit from countries sympathetic to Palestine. Yet by not actively opposing the Israeli occupation, or the unequal agreements currently detailing the relationship between Israel and Palestine, Australia maintains the support of countries loyal to Israel. Furthermore, it is in the interests of the Australian Government to maintain the support of the strong pro-Israel voice within the Australian community, which it does through not confronting Israel. Viewed in this context, it is apparent that Australian aid is relevant to Australia, even if it is only relevant to Palestine on a surface level.

Recommendations

Given the conclusions reached in this report, it is important to consider ways forward to ensure that relevant aid is given into the future. To this end, the following three recommendations are proposed. The first and second apply particularly to DFAT, while the third is directed towards the GDOP.

1. Continue funding the established programs

Firstly, it is recommended that the current aid programs be continued. Given the limited scope of the Australian aid program and the constraints facing Australia as a donor, the current program has some excellent aspects. Feedback from the Ambassador and from those living in Palestine is positive towards the work Australia is undertaking.¹⁰⁸ In particular, the amount of consultation and inclusion of input from key actors is appreciated. The fact that there was extensive consultation in putting together the AMENCA 3 program, for example, is a helpful step and should be established in all aspects of the program.¹⁰⁹ As some of the programs are reassessed – for example, funding to the PA through the World Bank is reassessed every year, and funding to UNRWA is due to be reassessed in 2016 – it is encouraged that DFAT remember the importance of sustainability and long-term commitment to projects in order to have an impact.¹¹⁰ Mr Davies suggests that for any impact to be achieved, a program must continue for at least 10 years.¹¹¹ As programs are reassessed, it is worth considering the impact they could have if continued long term.

2. Consider how best to support the political aspirations of the Palestinian people

As Ambassador Abdulhadi states, the Palestinian people’s “political aspirations are really crucial and important”, and “aid without a political commitment is not

¹⁰⁸ Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific.

¹⁰⁹ Ibid.

¹¹⁰ ‘Aid Investment Plan: Palestinian Territories 2015-2019.’

¹¹¹ Davies, Associate Director of the Development Policy Centre, ANU.

credible”.¹¹² These statements are revealing of the root of the issues facing Palestine. While economic development is important, and deeply relevant to the Palestinian people, the heart of the Palestinian development priorities is political and economic independence and the establishment of the State of Palestine. If Australia truly wants to work for change in Palestine through its aid program, it is recommended that the objectives of the aid program are re-evaluated to consider reinstating state building as an explicit objective, or expanding the objective of economic development to particularly address economic independence as well. This would increase the relevancy of Australian aid and could bring about positive changes for the Palestinian people. Furthermore, it is worth considering how Australia’s aid is supported by its actions in the international sphere. If Australia wants to work towards economic development, this requires decisive international action to support the political aspirations of the Palestinian people. Australia could use its position in the UN and its global relationships to support the political and economic independence of Palestine.

3. Remember the self-interested nature of aid

As the GDOP continues to have opportunities to contribute to Australian aid investment plans, it is worth remembering the self-interested nature of aid. While Australia might desire deeply to build the economy of Palestine and contribute to Palestinian development, its first priority will always be to expand Australia’s interests. From a development perspective, this is counter-intuitive, yet from a political perspective this is a reality that must be understood. To this end, in aid negotiations, it is worth justifying projects to Australian representatives in terms of Australia’s interests, as this is more likely to lead to positive outcomes.

¹¹² Abdulhadi, Head of the General Delegation of Palestine to Australia, New Zealand and the Pacific.

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