

RESEARCH ARTICLE

Analytical View on the Impact of Foreign Aid on the Palestinian Local Development within the Framework of the Local Government Sector

Shayma' Jamal Bawatneh^{1*}

¹Birzeit University, Palestinian Territory

*Corresponding author: Shayma' J. Bawatneh: shayma.bawatneh@gmail.com



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Abstract:

This paper trying to assess the impact of foreign aid on the Palestinian local development by focusing on the role of PLGS and monitoring the readiness of the Palestinian local development plans to face and manage the future in case foreign aid is cut off permanently from the State of Palestine. The paper poses main question: Is foreign aid “within the framework of the PLGS” being channeled within the proper course of local development? Taking into account the exceptional circumstances of building a State under colonialism and under a centralized system of government. Main results were presented via SWOT analysis which based on deep literature review, interviewing local officials, and identification of performance indicators which used in the assessment. Findings of this study pointed out that despite the fragility of the Palestinian local governance sector which has many internal problems and external challenges; there are many opportunities that must be invested within the available potentials in order to achieve sustainable local development. Besides, reducing the value of foreign aid until do without it is the proper course toward sustainable local development through changing the mentality of consuming into investing. The study presented many valuable recommendations to correct the path of local development in the state of Palestine and how to activate the positive aspects that related to obtaining foreign aid. Developing countries can rely on the results of this study as they are similar in the fragility of their administrative systems.

Keywords: Foreign Aid Effectiveness, Fragile States, Developing Countries, Donors, Conditional Foreign Aid, Local Development Priorities, Performance Indicators, SWOT Analysis.

Introduction

The controversy about the association between foreign aid and local development dates back to the post-World War II period (In'airat, 2007). "The Paris Declaration (PD), 2005" may be seen as the most important attempt between others for many decades, which regarding as an international obligation to guide foreign aid more effectively (Dabelstein, 2013). To reach the poor, improve the quality of life, improve the performance of development, strengthen governance, and achieving sustainability. Five basic principles were developed by Paris Declaration to ensure the effectiveness of the donations; ownership, alignment, harmonization, managing for results, and mutual accountability. Further, twelve indicators were set up based on the mentioned five principles for monitoring the progress of its implementation which are valid up to 2010 (OECD, 2008).

Numerous critics have criticized the implementation of the Paris Declaration on the ground, whence there is a great gap between the high-level items contained in the convention and the reality of chaotic development after implementation (Mirapeix, 2011). Furthermore, the application of Paris Declaration reveals that donors are framing the policies and strategies of recipient countries as a prerequisite for receiving grants, thereby undermining and limiting the development options of their peoples within a specific list that is far from the development goals of the society itself. That is contrary to the Paris Declaration regarding to the preservation of ownership, the democracy of peoples, and building local capacity (Mahmud, 2008).

In addition, there are undeclared targets for the foreign aid, which hide behind its stated goal of influencing the policy making process of recipient countries. (Ex.: "Privatization of Utility"; projects are motivated by poverty reduction but contain the obligation of governments to contract with companies especially for sale the basic services to citizens). Instead of being a support for people's democracy and a source of security, they are a clear violating the democracy and sovereignty of nations, through the conditions accompanying aid (Mahmud, 2008). On the other hand, donors often force inappropriate policies; create transaction costs, control financing without referring to recipient countries, etc. Indirectly they mislead local democratic processes. As a result, donors are outside the local political process of developing country, so they are not accountable according to the people or elected parliaments (Mahmud, 2008).

Some experts explain that donations often enabling bureaucracies in governments; bad governments continue, the aristocratic and elite in poor countries continue enlarging their wealth, or these aids just been lost. Whereas the reality witnesses widespread of poverty especially in Africa and south Asia (Jayathilaka, 2009). Radelet clarified that donations are not necessarily be conducive to development. Aid might be wasted and stimulate corruption or enabling bad governments in power and postpone reform. Another claim that, aid support countries within the war, to fund and preserve the conflict (Radelet, 2006).

Aid fails in its goals because its incentive structure is similar to the central planning. Foreign aid sustains poverty, supports and empowers the responsible for this situation and stimulates corruption. Reform foreign aid will not change structural systems; aid conditionality, or aid privatization, foreign aid will remain a waste of resources and counterproductive (Prokopijevic, 2006). The problem of foreign aid is often “corruption”. Corrupt regimes impede the normal development of aid, that is, it hinders the positive outcome that aid can produce (Ahmed, 2014). Foreign aid system is broken today; developing countries should try to explore new strategies for poverty alleviation (Kelter, 2018).

Research Problem

The phase of state building automatically means the situation of political and economic instability, therefore; the prospects for establishment an Independent Palestinian State are very limited, especially in light of existence an ambitious Israeli colonization in the region. The problem of this study is concentrated in that, under the mentioned critical phase, The State of Palestine receives a large amount of foreign aid. After twenty-six years of establishing the State of Palestine, and under a centralized system of government, local government bodies are still fully dependent on foreign aid for the implementation of its own infrastructure projects, which increases the concern about the future of the Palestinian state entity.

On the other hand, the priorities of most donors agree to reduce poverty rates; subsequently there is a trend towards supporting projects for the low-income people within Fragile States¹. The dilemma, after the implementation of such projects on the ground, the standards fluctuate, whereas these projects become preserved for the highest strata of society and forbidden for the poor, which promote the social segregation² within the same society and the same race (Terenzi, 2014). Furthermore, poverty rates as one of the most crucial indicators for assessing the performance of local development, pointed out according to Palestinian Central Bureau of Statistics (PCBS, 2018); the rates of extreme poverty are increasing continuously in the Palestinian context.

Research Questions

The main question: Is foreign aid “within the framework of the PLGS” being channeled within the proper course of local development? Taking into account the exceptional circumstances of building a State under colonialism.

Population is growing in worrying³ rate, how willing is the PLGS to manage the future of local development if foreign aid is cut off permanently? Why has the Palestinian local government bodies not yet been able to implement infrastructure projects by its own without the donations of other countries? On the other hand, if the poverty rates are increasing continuously in the Palestinian context, then who actually benefits from the foreign aid?

¹ Fragile State: The term first appeared at the end of the 20th century. The features of the fragile state are characterized by the weakness of its legitimacy within its borders, its inability to maintain internal security, the inefficiency of its services to the citizens, the weakness of its institutional structure, poor allocation of resources, and existence of a continuous dynamic situation and instability (Brinkerhoff, 2011)

² Rawabi city as Palestinian example has started as affordable housing project, which funded by different Arabic and foreign donors, but now Rawabi city is customized for the velvet layers and fully empty from the low-income people, which consolidate the meaning of social segregation (Terenzi, 2014).

³ Worrying: Refers to the exceptional circumstances of building the State of Palestine under Israeli colonial ambition to confiscate more Palestinian lands, therefore, the Palestinian territories are decreasing with time

Goals and Objectives

This study aims mainly to:

- Trying to assess the impact of foreign aid on the Palestinian local development within the framework of the local government sector.
- Monitor the readiness of the local development plans (within the PLGS) to face the future in case the foreign aid is cut off from the State of Palestine.

The limits of the study

The nature of a State under construction phase imposes receiving foreign aid. Unfortunately, foreign aid supports all aspects of life in the Palestinian model, including the payment of salaries to public officials. This study focuses on the role of foreign aid that directed to the PLGS, and how they affect local development, especially since the Paris Declaration⁴ so far. Why the study focused on the local government sector? Because the local government sector includes local government bodies which are considered as nuclei⁵ of local development within the Palestinian model.

Methodology

In order to achieve the objectives of this study, three main stages were adopted serially. The first stage: The priorities of local development for both donors and recipient “PLGS” were reviewed and identified. Then these priorities had compared in order to determine the extent of compatibility and difference of priorities between both parties. That required reviewing the “Strategic Development Plans” of the PLGS, in addition to interviewing officials within this sector, specifically from the Ministry of Local Government, Municipal Development and Lending Fund, and some local municipalities from the other side, interviewing officials from donors.

The second stage: For assessing local development performance by the foreign aid, performance indicators must be identified. Identification the performance indicators were based mainly on a global and local review of the literature with a holistic and analytical approach, guided by the main principles of the Paris Declaration and the Millennium Development Goals, in addition to consulting some local experts and officials within the PLGS, such as; Municipal Development and Lending Fund, etc.

The third stage: An attempt to diagnose the impact of foreign aid on the Palestinian local development within the framework of the PLGS. In order to present a detailed and clear picture about the Palestinian model, SWOT analysis had been done from a Strategic⁶ planning perspective, based on all the data of this study whether literature review, or interviews. Besides, reading the Palestinian model through the predefined performance indicators, every tiny idea

⁴ The Paris Declaration (PD) 2005: An international obligation to guide foreign aid more effectively. Five basic principles were developed and fixed by Paris Declaration to ensure the effectiveness of donations; ownership, alignment, harmonization, managing for results, and mutual accountability (Dabelstein, 2013).

⁵ The local economic development within the Palestinian model is a result of several efforts of stakeholders within two frameworks; the mini-framework includes the municipal council, the development and investment unit and the local economic development council. While the broader framework includes the private sector, civil society institutions, local investors, donors, research and statistical institutions and the Ministry of Local Government (Al Zaghaf, 2018).

⁶ Strategic Planning: The newest and most comprehensive format of planning, which start in Europe by the end of the twentieth century. Mainly it is a mutual effort of politicians, administrators, economists' players and urban planners in city regions to guide their development processes (Albrechts, 2010).

has employed within the SWOT analysis. This is to enable readers and researchers from different backgrounds and purposes to form their impressions or decisions about the Palestinian experience objectively and not on aspirations and hopes.

Results and discussion

Literature review

Foreign Aid Effectiveness – Universal Scale

Aid effectiveness is related to its compatibility and reasonability with the critical value which usually determined by the recipient country's absorptive capacity (Asra, 2005). If there are fragile infrastructure, insufficient skilled workers, and controlled transport systems, for sure the effectiveness of aid will reduce for the recipient country (Radelet, 2006). (Elayah, 2016) view developing countries as a closed and empty circle, therefore the ineffectiveness of foreign aid comes from being filled with fragile institutional environment, weak policies and corruption. Numerous attempts were done but the truth that reforming these regimes is a difficult task. Another opinion illustrate that the legal framework must be fortified for the developing countries to ensure effective aid, rather than over dependency on the flow of ODA, which absolutely will lead to negative impacts on the macro level of the development (Yiew, and Lau, 2018).

Furthermore, foreign aid have an adverse result on the economic growth of developing countries that proved by testing 85 sample (Ekanayake, 2010). Both the bilateral aid and multilateral aid are ineffective by its own for enhancing economic development, regardless whether one measures them for GDP of recipient or per capita (Wako, 2011). Several studies explored that there is a U-shape relationship among foreign aid and economic development (Ravallion, 2014). Whereas the impact on development is negative at first, but over the time becomes a positive character (Yiew, and Lau, 2018).

Aid could be effective if given for nonstrategic purposes, good policies, and democratic organizations. While fragmented aid or aid quantity, which exceed the absorptive capacity of the recipient country, for sure will reduce aid effectiveness (Dreher, 2017). However, there has been no evidence so far that the effectiveness of aid is increasing if it is given to countries with good policies, but evidence shows that the effectiveness of aid decreases as the flow of aid increases (LENSINK, and WHITE, 1999).

Universal Cases Study

By highlighting some experiences of developing countries through studying the impact of foreign aid on their local development, literatures review pointed out that Tanzania receives a large amount of foreign aid but still live in high poverty levels with very low economic growth. By studying the impact of foreign aid on GDP results shows that total debt service and foreign assistance have a negative impact on GDP growth while export growth and the net national savings have an optimistic impact on GDP growth (Kabete, 2008). Kenya has unstable macroeconomic policy environment. Therefore negatively affected public investment and economic development, despite the reformations of

macroeconomic policy that had been done. Furthermore, foreign aid has unpredictable features in Kenya so local development also has unpredictable features (Ojiambo, 2009).

According to the African continent generally, foreign assistance programs have to complement the national budget of developing countries, reduced the debt burden and achieved local development, but soon proved inefficient. Moreover, the burden of developing countries on conditions those are difficult to achieve in return for such assistance, and therefore not achieve the results of development and increase citizens' damage and exhaustion. The results of local studies have shown the failure of these programs and all initiatives on the African continent to create sustainable development strategies (Niyonkuru, 2016). Despite Africa receiving more than (\$600 billion) of foreign aid, large part of Africa remained undeveloped with an extreme poverty (FARAH, 2018).

Foreign aid in the region Sub-Saharan Africa also doesn't have any important effect on economic growth. Despite that, education has a significant result on growth (Ahmed, 2014). In addition, foreign aids do not have any impact on GDP growth in the experience of Ethiopia, while it has a considerable impact on FDI. Furthermore, foreign aid has negatively associated with corruption levels in the country (FARAH, 2018). The negative side of foreign aid in Pakistan that Pakistan's debt load increased over time (Mohey, 2005). Regarding to the Zimbabwe, although aid to Zimbabwe has been conditional by the donors, it has tried to contribute to economic growth. However, it made the government get used to it (Moyo, and Mafuso, 2017).

Foreign Aid Effectiveness – Local Scale (WB)

Regarding to the Foreign aid effectiveness at the local level, in WB aid effectiveness depending on the quality of recipient governance, strategic objectives of donors, and the occupation. Moreover, the culture of corruption, which poses a considerable and harmful factor to the effectiveness of aid (In'airat, 2007). The existing situation should be transformed into Decentralization to empower local governing, but conserving the national unity to counteract the Israeli occupation dynamics (GIZ, 2017).

Palestinian economy is dependent on Israel economy through; the labour market, Israel regarded as the most significant trading partner for the WB and GS. In addition, Israel collects the taxes on behalf of the Palestinian Authority, which usually accounts for about two-thirds of the PA's total revenue (Bennett, 2003). Palestinian economy is below siege (Dajani, 1998). There are three levels of obstacles to the Palestinian economy within explicit policies. At the international level, there are donors and their funding policies. At the regional level, there are Israelis and their closure policy. At the local level, there are Palestinians and their investment policies (In'airat, 2007). Furthermore, in 2017, Trump sought to cut aid to the Palestinians as a tool to pressure them to achieve peace and accept Jerusalem as the capital of Israel (Congressional Research Service, 2018).

(Shoukair, 2013) view that Palestinian economy suffering from "Dutch disease" which has been used extensively to explain why external development aid can be ineffective in creating economic growth. Terrorism and economic policy and the restrictions imposed by Israel are the main factors of the disease in this period. Under the current economic and political constraints, foreign aid had little chance of significantly strengthening trade sectors.

Donations are given to the Palestinian either through direct payments or through the Palestinian Welfare Association, which initially had a development

aspect. However, recently commitment to a combination of both sides: relief work with a gradual move to the development work. The main problem of Arab funding is the absence of policies to invest in the Palestinian context. However, the Welfare Association experience is regarded as pioneering and outside the Western funding context (Hamdan, 2011).

Local Development Priorities within PLGS

Local Development Priorities of the PLGS

The PLGS consists of the Ministry of Local Government, local government bodies, the Municipal Development and Lending Fund and the Federation of Municipalities. Following the review of the sector's "Strategic Development Plans", it is clear that the policies and objectives of the PLGS have been built within the considerations of the Palestinian national policy agenda. Top priorities of the sector are; to move towards a decentralized local governance sector, rehabilitation of local government institutions and development of their human and institutional capacities, improving the quality of provided services to the citizens, achieving democracy, transparency and community participation, and strengthening partnership with the private sector. In addition to activating local economic development, achieve financial sustainability of the local bodies, enhance their creditworthiness, enable them to borrow, activate the lending of municipalities from the Municipal Development and Lending Fund, and exert more efforts to attract funding from international development partners and encourage and sustain foreign aid to the sector (Ministry of Local Government, 2016).

The latest Palestinian strategic plan of the local government sector explained the reason for the decline in the Palestinian investment rate after 2013, due to the restrictions and siege of Israeli on the movement of goods and personnel through control of crossings (Ministry of Local Government, 2016). Nevertheless, Firas Al-Zaghal, as local financial analyst and expert, believes that the recent drop in investment is due to the lack of innovative investment ideas for individuals that are in line with the requirements of the times, despite the huge saving of individuals in banks as stagnant funds (Al-Zaghal, 2018).

Local Development Priorities of the Donors

The official sources of external funding that targeted to the local government bodies are distributed within the PLGS through several channels. Municipal Development and Lending Fund, International institutions such as The World Bank, UNDP, UN HAPITAT, OCHA, USAID, JICA etc. in addition to the Ministry of Finance under special agreements (Ministry of Local Government, 2016).

The United States is the chief donor in the world. U.S aid in 2016 supported about 150 countries. The largest recipients since the late 1970s until now are Israel and Egypt. Besides, Iraq has received over \$20 billion for reconstruction since 2003 (Lawson, 2018). Regarding to the USAID priorities in general, usually distributing within five classifications and goals; bilateral development aid, humanitarian aid, military aid, economic aid supporting U.S. political and security objectives, multilateral economic contributions, while the bilateral development assistance has the largest share (Nowels, 2005). The USAID

priorities at local level within the Palestinian model are channeled via “Communities Thrive Project” which focuses on the Local Government Bodies, specifically supporting 55 municipalities. The Communities Thrive Project aims primarily to achieving financial sustainability of local councils, by increasing their revenues and reducing unnecessary expenses. In addition to raising the level of service offered to the citizen and increasing citizen satisfaction. Furthermore, increasing the participation of citizens of all segments of the quality, age and professional, the issue of community participation is a prerequisite for the donor and not an optional subject. Also, develop community accountability, and finally, capacity building and rehabilitation of individuals (Al Mbayyed, 2019).

The MDLF is a semi-governmental institution which has been in place since 2005, but was legalized in 2016 after it was formally ratified by a presidential decree. The formation of this fund aims at empowering local Palestinian bodies to achieve self-sufficiency, achieving financial sustainability and raising their creditworthiness (Al Budeiri, 2019). The main donors in the MDLF are: Agence Francaise de Development (AFD), Danish Government, World Bank (WB), Swedish International Development Cooperation Agency (SIDA), German Development Bank (KfW), and German Technical Cooperation (GIZ). as well as the Belgium Government, European Union (EU), Swiss Agency for Development and Cooperation (SDC), and International Cooperation Agency of the Association of Netherlands Municipalities (VNG), (MDLF, 2019).

Table 1: Local Development Priorities for PLGS and Donors – Palestinian Model.

Priorities	#	Palestinian Local Governance Sector (PLGS)	Donors (MDLF, International Institutions, Ministry of Finance)/ USAID as sample from International Institutions
	1	Move towards a decentralized local governance sector.	Achieving financial sustainability of local councils (increasing their revenues and reducing unnecessary expenses).
	2	Rehabilitation of local government institutions and development of their human and institutional capacities.	Raising the level of service offered to the citizen and increasing citizen satisfaction.
	3	Improving the quality of provided services to the citizens.	Increasing the public participation, this is a prerequisite for the donor and not an optional.
	4	Achieving democracy, transparency and community participation.	Develop community accountability.
	5	Strengthening partnership with the private sector.	Capacity building and rehabilitation of individuals.
	6	Activating local economic development.	
	7	Achieve financial sustainability of the local bodies and enhance their creditworthiness and enable them to borrow.	
	8	Activate the lending of municipalities from the Municipal Development and Lending Fund.	
	9	Exert more efforts to attract funding from international development partners & encourage and sustain foreign aid to the sector.	

Compare Priorities

The Paris Declaration recognizes the importance of the ownership⁷ and the democracy of recipient countries, besides the alignment of priorities within policies and strategies of developing countries (Mahmud, 2008).

Before comparing the priorities of PLGS and donors, it is necessary to take a reflective and analytical view on the priorities and objectives of the PLGS that shown briefly in the table (1). There are some fundamental observations have to be clarified:

- The achievement in the priorities of the Palestinian strategic plans within the PLGS focus on building and empowering the institution and staff rather

⁷ Ownership: The recipient country is the decision maker and has the ownership and leadership to channel donation according to local development priorities and strategies (OECD, 2008).

than focusing on the citizen himself and his needs. Most of the problems of the plans revolve around the problems of coordination between the staff, the problem of distribution of powers, etc. many problems are nascent and new, and there is no any relation for citizens. But in fact, they are an additional pressure on the citizen and burdened with greater burdens than his original problems.

- There is a contradiction inside the priorities of the PLGS itself in regards the concept of “sustainability”. From one side, the priority of “achieve financial sustainability of the local bodies, enhance their creditworthiness, enable them to borrow”. From the other side, the priority of “exert more efforts to attract funding from international development partners and encourage and sustain foreign aid to the sector”. While the strategic plan lacks of any policies that support sustainable development by empowering the local economy and infrastructure projects to become an independent sector, independent of external support and able to develop independently. Ambitious roof of the Palestinian strategic plans is the continuity of foreign aid to the sector.
- There is a legacy gap from one strategic plan to another within the PLGS. Represented in preparing the priorities of the plans within the sector and not to implement them at all, then transfer of priorities from one plan to another. The result is lack of achievement. Perhaps because of the lack of a vision and mechanism to implement these priorities within the same plans.
- There is a clear absence of leadership role in the PLGS in numerous crucial issues, such as;
 - Their justification of the lack of progress in the priority “moving towards a decentralized local governance sector” (since 2003 so far) because there is no clear vision about the decentralized local government.
 - Regarding to the priority of evolving the local development of local bodies, the strategic plan emphasized that the local development will be effective only if Palestinians response to the conditions of donors.
 - The major challenge that local government sector faces concentrated in “the weak of catalyst environment to the local and sustainable economic development”. But, is not it the leader of the local government sector that should create the enabling environment for investment whether by individuals or any other parties?
 - There are many financial gaps within the local government sector - according to the strategic plan- for instance: at the level of capacity building, there is need for \$ 12 million that estimated in the first three years of the current plan (Ministry of Local Government, 2016). But how long will it take to spend heavily for capacity-building? Why there are no indicators to measure expenditure performance in this regard? Especially, that donor indicators, point to the lack of preparedness and inefficiency of local bodies to obtain grants. Consequently, many grants are wasted for internal reasons in the sector (Al Mbayyed, 2019).

Thus, many problems in the sector are exacerbated, such as; marginalization of citizens' interests and rights, the marginalization of community participation, the stagnation of local development, and surrender to the conditions of the donors.

Regarding the compatibility of donor priorities with the priorities of the local Palestinian bodies, according to (Al Mbayyed, 2019) he stated that the USAID

priorities are determined by holding several meetings with random sample selected from the 55 municipalities to monitor their needs and determine their priorities. Thence, the principle of competition prevails according to the efficiency of the municipality and its readiness to win the support of donors. While the view of Ramallah municipal planners regarding external support that allocated to the municipality; support is often directed to specific projects according to the directions of the donor, without reference to the municipality and matching their priorities and their strategic plans (Al-Sayegh, 2019). Al-Sayegh added that the MDLF is currently supervising and monitoring these projects.

Practically, the coordination process between donors and projects implemented within the PLGS is carried out at multiple levels: coordination is carried out through the Local Government Sector Working Group, which in addition to donors includes Palestinian institutions such as the Ministry and the Fund. This type of coordination is nothing more than a protocol; information and presentation of ideas and projects only. The other and most effective type is what happens among the donors themselves, through regular monthly meetings sponsored by Denmark as the lead donor in this sector. There is also bilateral coordination among donors as needed, and the subject (Rajab, 2019).

As regards the extent to which donors' priorities are aligned with MDLF's own priorities to support local development within Palestinian municipalities, Mr. Al-Qawasmi said that the Fund originally derives its priorities from the Palestinian national policy agenda, and there is no conflict between the implementation of MDLF's priorities and donors. On the other hand, an important role of the Fund is the coordination of projects among municipalities and donors to avoid any conflict (Al Qawasmi, 2019). From an academic point of view, it is easy to find a correlation between donor priorities and Palestinian priorities, especially as donors are usually keen to align their priorities with national strategies, as Palestinian national strategies are comprehensive and general (Rajab, 2019).

However, not all donors offer their support to the Palestinian municipalities through the MDLF. Some countries offer their support directly, such as China, Japan, Italy and America. According to the director of operations of the MDLF, there are supportive countries that impose conditions on the Fund that deviate from the Palestinian priorities, so they undertake directing their support away from the Fund. For instance the USAID is demanding that Gaza Strip not to be supported. Anyhow, USAID now has effectively stopped supporting all Palestinians, in both GS and the WB, since the end of last January. Germany also requires from the MDLF to take all official approvals by the Israeli occupation before funding any Palestinian development activity. But the current Palestinian situation cannot obtain Israeli approvals for the implementation of Palestinian projects, especially in Areas C, where the bulk of the MDLF's projects are implementing within a risk and a kind of the Palestinian challenge under the siege of Israeli colonialism and without obtaining the required implementation permits, that's in order to meet the urgent Palestinian needs in the place and to be survived (Al Qawasmi, 2019).

From the point of view Palestinian expert in infrastructure projects (Abu Madi, 2003); the majority of foreign aid is conditional, donors control disbursement within their considerations and priorities rather than the Palestinian's priorities. Whereas Palestinians must appoint foreign experts with salaries that are depleting the value of the assistance itself, and the remaining ones are used to purchase equipment from the donor country. Subsequently,

infrastructure projects do not reduce the cost to the citizens and reduce poverty, but rather promote the concept of privatization.

Performance Indicators of the Local Development

Most researches on the impact of foreign aid and its effectiveness on development often have been measured within a very short period of about 4 years. This is illogical to observe the expected impact in such a short time (Clemens, 2004). On the other hand, assessment of aid effectiveness at micro level usually offers positive results while the results at the macro level are ambiguous. The impact of foreign aid depending on the stability of macroeconomic policy environment, allocation of aid, income level, and geographical location (Durberry, 1998).

Aid could have qualitative or quantitative effects (Wamboye, 2012). Generally, development objectives by donations as per Radelet, are channeled through certain fields; support in providing food or other commodities during wars crises or relief operations, support economy post- crises for stability, or support health, education, environmental issues, or political structures. Besides, support in building infrastructure, or productive sectors like agriculture, or inserting new technologies to stimulate economic (Radelet, 2006). Some empirical studies proved that the concept of lending is more effective than just providing donations, because the amount of funding should be returned (Jayathilaka, 2009).

In the aftermath of the Arab Spring revolutions, voices within that region began to query foreign aid. Foreign aid can be effective on condition of the absence of corruption, with sound economic policies and institutions, in addition, more coordination among donors themselves. Sometimes aid in the technical form can have greater impact (Rady, 2012). However, there is no indication that government corruption limits and reduces its chances of receiving external aid (Alesina, and Weder, 1999).

Palestinians receive a relatively high proportion of aid on the basis of political considerations rather than solidarity and development issues (PMA, 2011). Main indicators of high foreign aid in WB were reflected in; increasing unemployment, the decline in GDP growth, the increase in the non-tradable sector share, the declining share of the tradable sector and the declining share of exports of GDP (Shoukair, 2013). If we check the effect on micro level of development, for instance, water and sanitation sector is receiving a large amount of donations, but there is still a significant shortfall in meeting the basic needs of the population in the Palestinian territories (Abu Madi, 2003).

PLGS has developed many indicators in order to measure the extent in which their policies and priorities have been implemented. For instance; measuring the gradualization forward decentralization, and development of the local government bodies law to support that, additionally the increase in the revenues of local bodies. However, success has not been achieved in this regard based on the latest strategic plan analysis. Furthermore, lending aspect of the MDLF has not been activated because there are no clear policies on lending to the local bodies. The MDLF has become a funding channel instead of a tool to strengthen the decentralization of local bodies (Ministry of Local Government, 2016).

According to the general director of the MDLF and the current strategic plan of the MDLF, both emphasize that; it is not possible to activate the lending aspect of the Fund, because there is no current need for this. The lending system cannot be implemented in light of the inability of the Palestinian municipalities

in the current circumstances to apply and adhere to the loan procedures. MDLF's efforts are being directed towards enabling institutionalizing municipalities to reach financial sustainability as a first step (Al Budeiri, 2019). However, in the long run, there are intentions to apply some 10 pilots among the highest municipal performance ratings for studying the credit worthiness of the Palestinian municipalities to borrow from the Fund, but it is not clear yet. Certainly, if the external support stops today, the MDLF will be closed on the same day (Al Qawasmi, 2019).

However, all Palestinian municipalities in the WB and GS receive support from the MDLF within two grants of the Fund: a basic grant based on population and needs within the municipality that representing 50%, and the other grant is the performance grant. This grant is followed by number of performance indicators at the Fund. The evaluation mechanism follows the municipality's classification under (A, B, C, D). Performance indicators are based on the municipality's financial performance, institutional performance, and the transparency and community accountability. Therefore, the minimum level for any Palestinian municipality to obtain the MDLF's support, however low its performance indicators is at least 50%, which is the basic grant. On the other hand; the MDLF is the only institution that supports local development in Gaza Strip within the local government sector (Taha, 2019).

According to the USAID indicators within Palestinian experience, results points out to the lack of readiness and efficiency of the majority of Palestinian local bodies to obtain grants. Consequently, many grants are wasted and lost for internal reasons in the sector (Al Mbayyed, 2019). As a result, the local government sector focuses on self-rehabilitation and capacity building, and allocating annual budgets for these purposes, but without internal indicators to measure the effectiveness of this trend, thus dispersing Palestinian efforts and budgets ineffectively.

Table 2: Crucial indicators to be considered during assessment the performance of local development by foreign aid.

Category		Index		
Mutual Accountability	Recipient Country Characteristics	Type of government	Centralized	
			Decentralized	
		Institutional quality & Absorptive capacity	Strategic plans & Annual budget ⁸	
			Conflicts/crises	
		Location in the tropics		
		Macroeconomic and trade policies		
		Poverty		
	Unemployment rate			
	Donors Procedures & Practices	Number of donors	Single	
			Bilateral	
			Multilateral	
		Transparent coordination with shared analysis	Recipient countries	
			Other donors	
		Compliance with local procedures of recipient countries(financial & procurement)	Monitoring & evaluation systems	Terms of aid & Penalty application
	Aid Characteristics	Nature of aid	Quantitative	Loan
				Grant
		Qualitative	Technical assistance	
			Training Programs	
			Psychological aid	
		Duration of aid	Short term	1-4 year
			Long term	5 > years
		Development Field	Political & Administration	Democracy, capacity building, etc.
Economic			Infrastructure projects	
			Productive sectors	
			Inserting new technologies	
Social			Reducing poverty	
	Education			
	Gender equality			
	Reducing child mortality rates			
Environmental	Combating HIV/AIDS, malaria, and public health			
	Environmental sustainability			

⁸ Annual budget: A planning and control mechanism that reflects revenues, grants, program expenditures and cash received and disbursed in the institution, which provides a mechanism for measuring financial performance.

Table (2), including crucial indicators to be considered during assessment of local development performance by foreign aid. Identification the performance indicators were based mainly on the literature review with a holistic and analytical approach, guided by the five main principles of the Paris Declaration, besides the Millennium Development Goals, in addition to consultation of some local experts and officials within the PLGS. These indicators according to the researcher's vision could be applicable for all recipient countries and not exclusively for the Palestinian model.

SWOT (Strengths, Weaknesses, Threats and Opportunities) analysis of the foreign aid impact on the Palestinian local development

In order to diagnose the impact of foreign aid on the Palestinian local development within the framework of the PLGS, it is necessary to display a detailed and clear picture about the Palestinian model. Broad ideas are shown here via SWOT analysis context from a Strategic planning perspective.

Strengths

Numerous international initiatives and efforts that have been exerted since World War II, and still being made to rectify the direction of foreign aid to become more efficient and effective within local development concepts. The most important of them is the Paris Declaration 2005. Furthermore, Palestinians are entitled to development assistance under the international law (Hamdan, 2011) despite that most of received aids on the basis of political considerations rather than development issues (PMA, 2011). It should be noted that there are many international institutions and donors located in the Palestinian arena that seek to support local development and empowerment of local government bodies, such as; European Union, The World Bank, UNDP, UN HAPITAT, OCHA, USAID, JICA, MDLF, etc.

Weaknesses

In spite of the MDLF is one of the most important official channels of external financing that directed to support local government bodies within the PLGS, but lending side of the MDLF has not yet activated. At the same time, most Palestinians officials recognize the importance of this aspect in creating a real challenge of the Palestinian's municipalities, whereas pushing them towards sustainable local economic development and reducing its dependence on external support. Unfortunately, until now, no serious steps have been taken to prepare deliberate plans to face the future if the foreign aid is cut off permanently, although there is a full conviction, understanding and attempts by the officials in this sector to prepare for this scenario by encouraging local economic development, increase revenue, and capacity building of local bodies to be more effective and sustainable (Rajab, 2019).

Foreign aid constitutes the largest proportion of the development budgets (projects) of the local bodies, which may reach in some bodies to more than 80% (Rajab, 2019), nonetheless most foreign aid is consumed rather than invested,

which means that so far, the PNA cannot rely on such assistance to achieve sustained economic growth (PMA, 2011). Moreover, there is a contradiction between the priorities of the Palestinian local governance sector itself in regards the concept of “sustainability”. From one side, the priority of “achieve financial sustainability of the local bodies, enhance their creditworthiness, enable them to borrow”, and from the other side, the priority of “exert more efforts to attract funding from international development partners and encourage and sustain foreign aid to the sector”. Thus, ambitious roof of Palestinian strategic plans is the continuity of foreign aid to the sector.

In fact, there is a clear absence of leadership role in the PLGS in most crucial issues, (Decentralization, response to the donor’s conditions, weak of catalyst environment, and financial gaps). Thus, problems are exacerbated in this sector, such as; marginalization of citizens' interests and rights, the marginalization of community participation, the stagnation of local development, and surrender to the conditions of the donors. Then transfer of priorities from one plan to another without any achievement.

Donors often force inappropriate policies; create transaction costs, control financing without referring to recipient countries, etc. Indirectly they mislead local democratic processes. As a result, donors are outside the local political process of developing country so they are irresponsible to the people. On the other hand, foreign aid creates a dependency, enabling bad governments in power and postpones reform thus increase citizens' damage and exhaustion, continuity of conflict and corruption. Besides, it has no clear relationship with investment and development, plus it can increase the costs of basic commodities, and promoting the principle of privatization. Additionally, in the Palestinian context foreign aid promote the concept of job dissatisfaction in certain functional segments as a result of creating a situation of functional differentiation due to the different advantages of working within foreign institutions (Abu Madi, 2003).

Threats

Without a doubt, the formation of a state under the umbrella of external colonization is not a normal mode; this is a major challenge on all levels of Palestinian development, especially that Palestinian economy is below siege. On the other hand, possibly poverty rates would be higher in the absence of aid, but studies have shown that conditional aids are framing the policies and strategies of recipient countries, limiting their development options. Besides, increases the burdens of developing countries more than their capacities. And, the most importantly, that is contrary to the Paris Declaration regarding to the preservation of ownership, the democracy of peoples, and building local capacity.

Taking into considerations there are many factors that prevent the achievement of the least benefit of foreign aid generally, the most important of which is the weak policies (fragile infrastructure) and the corruption of the ruling regimes of developing countries and the existence of political and economic instability caused by wars and so on. Further several studies explored that there is a U-shape relationship among foreign aid and economic development, whereas the impact on development is negative at first, but over the time becomes a positive character. Therefore, sufficient time must be given to monitor development results.

Opportunities

We have to remember that Local Economic Development (LED) is a partnership between all segments of the society, including the public and private sector, civil society organizations, local investors, donors, research and educational institutions led by the local government sector through the local government bodies. The theme is not limited to the role of external funding to create successful local development of the receiving country. Besides, there is a key role of the local government bodies in local development, through creating conducive environment for other parties in various fields, rather than for instance focusing on the housing sector randomly, which is outside the capacity of municipalities to provide the infrastructure services associated with investment in the thoughtless housing and exceeds the current Palestinian need.

Positive aspects of foreign aid include the introduction of basic concepts and tools in planning for the Palestinian community, such as; obligating municipalities to prepare annual budgets and external audits. They also oblige them to prepare annual strategic plans to monitor local development goals and measure their achievement. In addition to activating community participation and accountability concept. Sustainable local development couldn't be achieved without public participation, adopting "Agenda 21"⁹ as one of planning tools enabling local municipalities to obtain more donations from UNDP and other donors. As well as implementing a large number of infrastructure projects that primarily serve the Palestinian citizen. Furthermore, aid is not necessarily to be financial only; financial aid is easily manipulated and routed away from local development, while technical assistance, training programs and others qualitative aid have more assured results practically.

The State of Palestine still receiving foreign aid through several official channels. This assistance must be utilized to support priorities more strategic and comprehensive dimension to the concepts of local development. On the other hand, the percentage of Palestinian learners, experts and analysts is very high compared to other developing countries. Therefore, efforts should be made to use these capacities to guide foreign aid more efficiently and towards more sustainable local development.

Conclusion

Developing countries, including Palestine are suffering from weak policies and fragile institutional structure, thus they have to be well aware that foreign aid is not a magic wand that can transform the poverty into wealth and well-being. Besides, perhaps the traditional system in developing countries which representing in central government systems (top-down approach) is not the ideal system to manage local development within local government bodies. Maybe it's time to try another administrative alternative especially that poverty rates are increasing continuously in the Palestinian context despite the continuity of getting foreign aids. Moreover that infrastructure projects are fully funded by foreign aids so far.

On the other hand, Foreign aid system is a fake and misleading system of real local development in developing countries. In fact, foreign aid is a drug that

⁹ Agenda 21: This agenda was launched in 1992 in Brazil, where it's most important output focused on the concept of sustainability between the North and the South. Besides, adopting "Agenda 21" as one of planning tools in municipalities, which is a call for the local authorities to consult their communities when formulation and developing their strategic plans (Nurudin, 2015).

generates a state of addiction to the loss of mind and will of the recipient populations in order to meet their basic needs in life. Although initially looks good, it is an anesthesia process for local development. This form of colonization programs keep the recipient communities within a time-bound schedule that directs the individual's energies towards meeting the financier's requirements and finally; neglecting real local development concepts. Therefore, treatment should be initiated by gradually reducing the value of the aid until it is eliminated. Or diverting the grants into loans within possible terms to recipient countries, that carries a glimmer of hope toward sustainable local development, via changing the mentality of consuming into investing.

Recommendations

Perhaps Palestinian local development should take an example and this is not something wrong. The Palestinian experience lacks guide and a good example, there are many countries around the world that were living worse than the Palestinian situation and are now referred to as leading countries in most areas of life. Moreover, a most important issues on the Palestinian level that, to activate the role of the leader of PLGS, so that control and guide the local development priorities, monitor the results continuously through performance indicators. As well as, activating lending side of the MDLF in order to increase the responsibility of Palestinian`s local government bodies and stimulate them to achieving financial sustainability.

Finally, most studies and literature from various developing countries agree to explain why foreign aid is inefficient by the corruption of the ruling regimes of their countries. All researchers are seeking to the idea of "Self-flagellation". But, is not the time for developing countries to ask themselves why donors support corrupt policies despite their knowledge of corruption? Why have not donor countries yet launched programs to educate people about the corruption of their powers and how to reduce of them? Why not fingers pointing and accountability of donors as a key player influencing in making of developing countries' policies through their conditional donation whether from local population or from elected parliaments? Many questions should be raised for future researches within this context, whether at the level of the Palestinian model or any other developing country.

Abbreviations

OECD: Organization for Economic Co-operation and Development

UNDP: United Nation Development Program

MDGs: Millennium Development Goals

ODA: Official Development Assistance

WB: West Bank

GS: Gaza Strip

GDP: Gross Domestic Product

GIZ: Gesellschaft für Internationale Zusammenarbeit

PNA: Palestinian National Authority

FDI: Foreign Direct Investment

PLO: Palestine Liberation Organization

PMA: Palestine Monetary Authority
 PCBS: Palestinian Central Bureau of Statistics
 LED: Local Economic Development
 MDLF: Municipal Development and Lending Fund
 USAID: US Agency for International Development
 PLGS: Palestinian Local Governance Sector
 OCHA: United Nations Office for the Coordination of Humanitarian Affairs
 JICA: Japan International Cooperation Agency

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List of Interviews

Firas Al Zaghal, 2018, Palestinian financial expert and analyst, the lecture was held at Birzeit University, on 4 April 2018.

Hazem Al Qawasmi, operation manager, Municipal Development and Lending Fund, interview conducted on 11 April 2019.

Issa Al Sayegh, Engineer in the Planning Department since 16 years ago, interview conducted on 10 April 2019.

Khalid Rajab, lecturer in master program of local government - Birzeit University, interview conducted on 5 May 2019.

Manal Taha, environmental officer - Municipal Development and Lending Fund, interview conducted on 11 April 2019.

Mohammad Al Mbayyed, Director of a Communities Thrive Project which funded by USAID and representative for them, interview conducted on 13 April 2019.

Tawfiq Al Budeiri, general director of the Fund - Municipal Development and Lending Fund, interview conducted on 11 April 2019.