

# Neo-liberalism for Development and Statehood in Palestine

## *Fayyadism, Aid Dependency and State Building*

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London, 26<sup>th</sup> of March 2012



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OF ECONOMICS AND  
POLITICAL SCIENCE



# Presentation Outline



- Brief Contextual Background
- Problematizing the Impact of International Aid
- What is Fayyadism and Why? Is it Different, Effective and Legitimate? Any Outcomes Yet?
- Achievements, Pillars and Fragilities of Fayyadism
- The Fayyadism of Security and Economy Spheres
- Beyond Fayyadism: Addressing Its Fragilities

## PALESTINIAN LOSS OF LAND 1946 TO 2010





## Road Gates

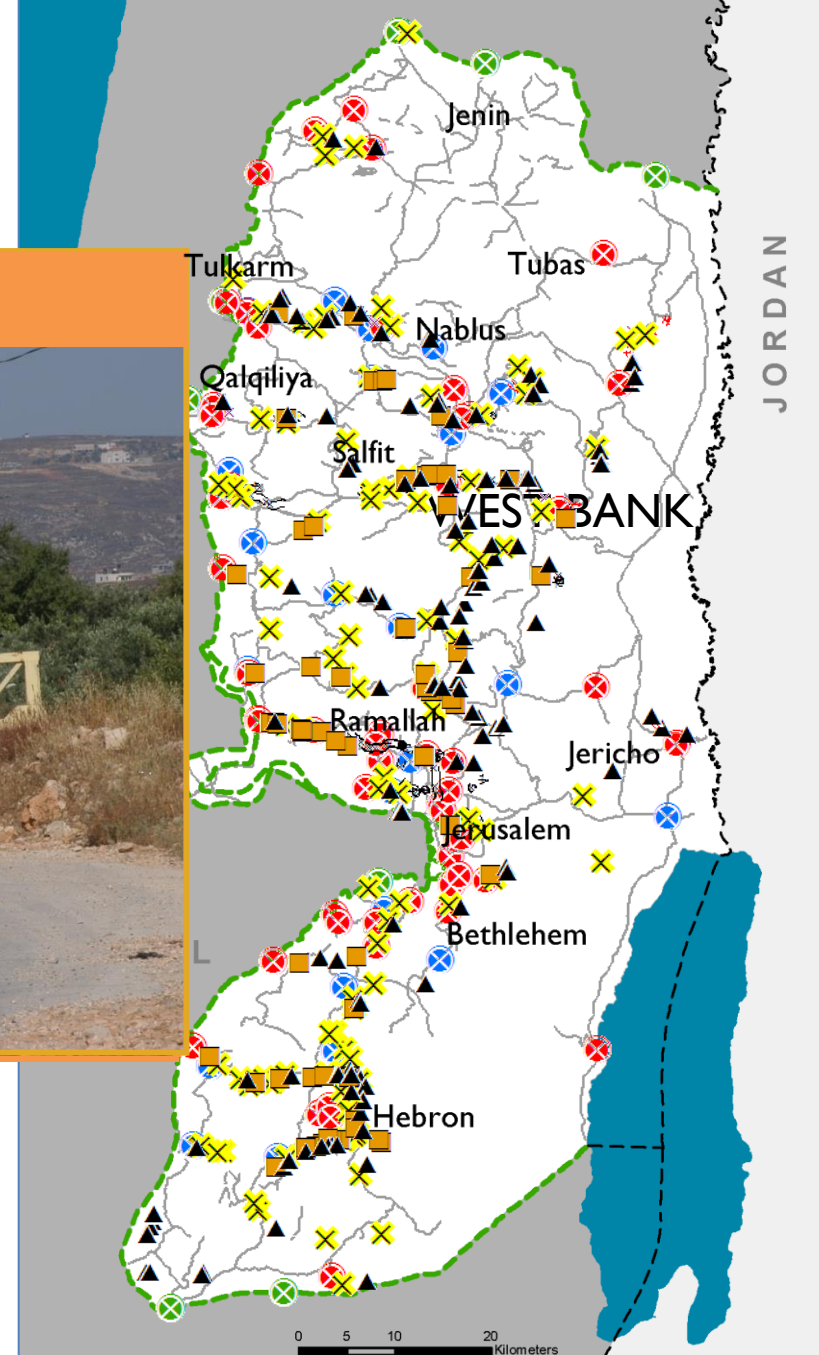


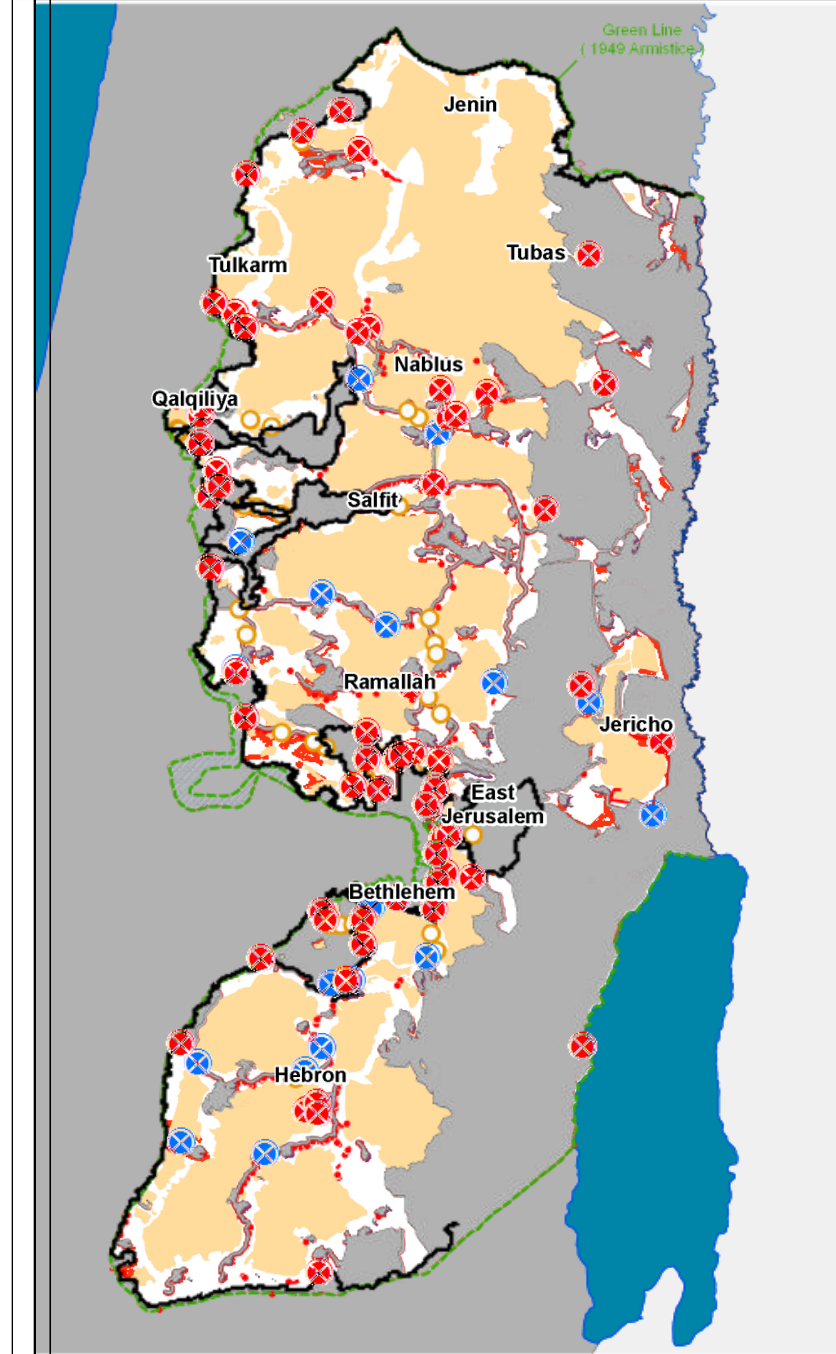
DDDD are used to construct movement across the roads.

DDDD

### EARTH WALLS

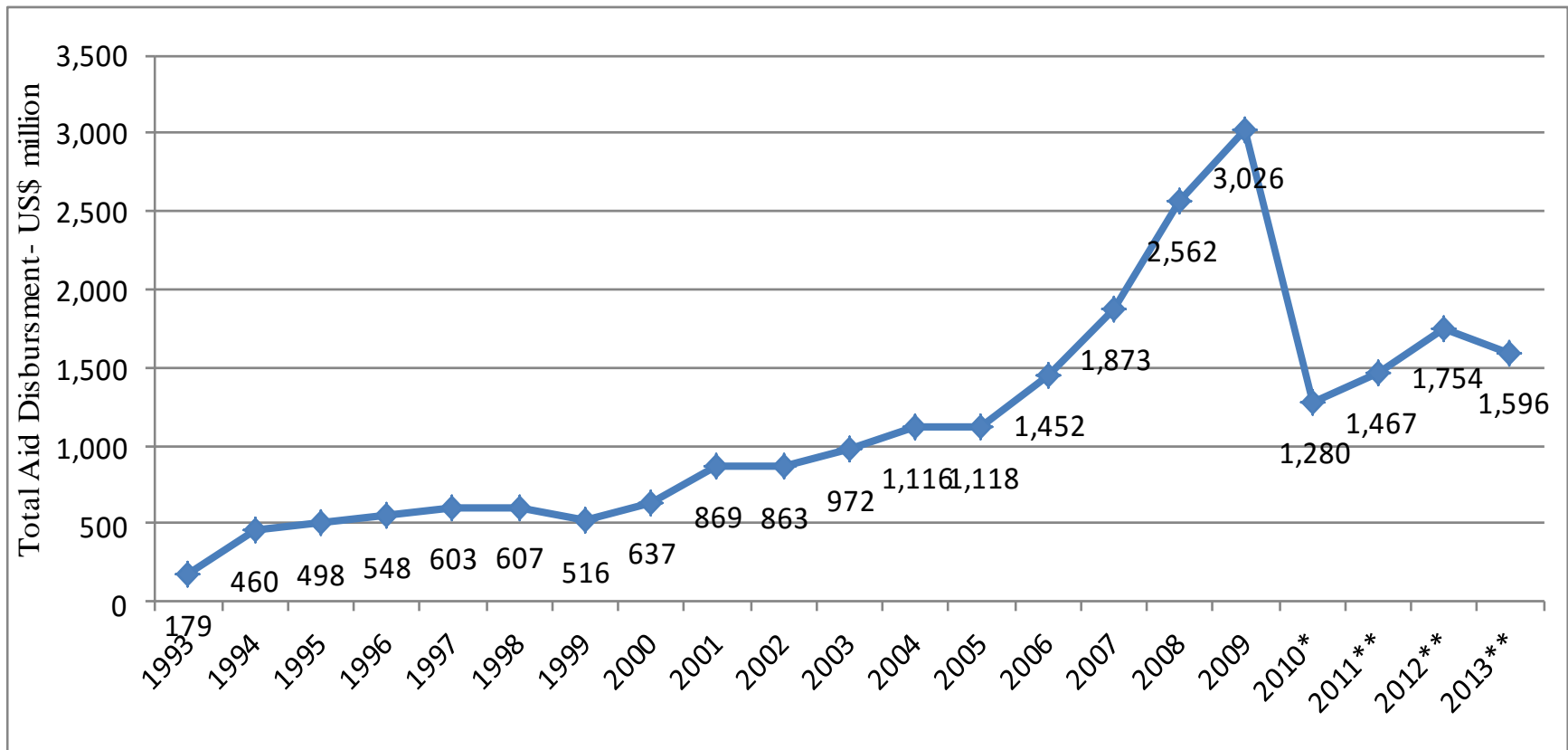
A continuous wall or series of earth mounds.





# Is there an 'aid-development' puzzle in Palestine?

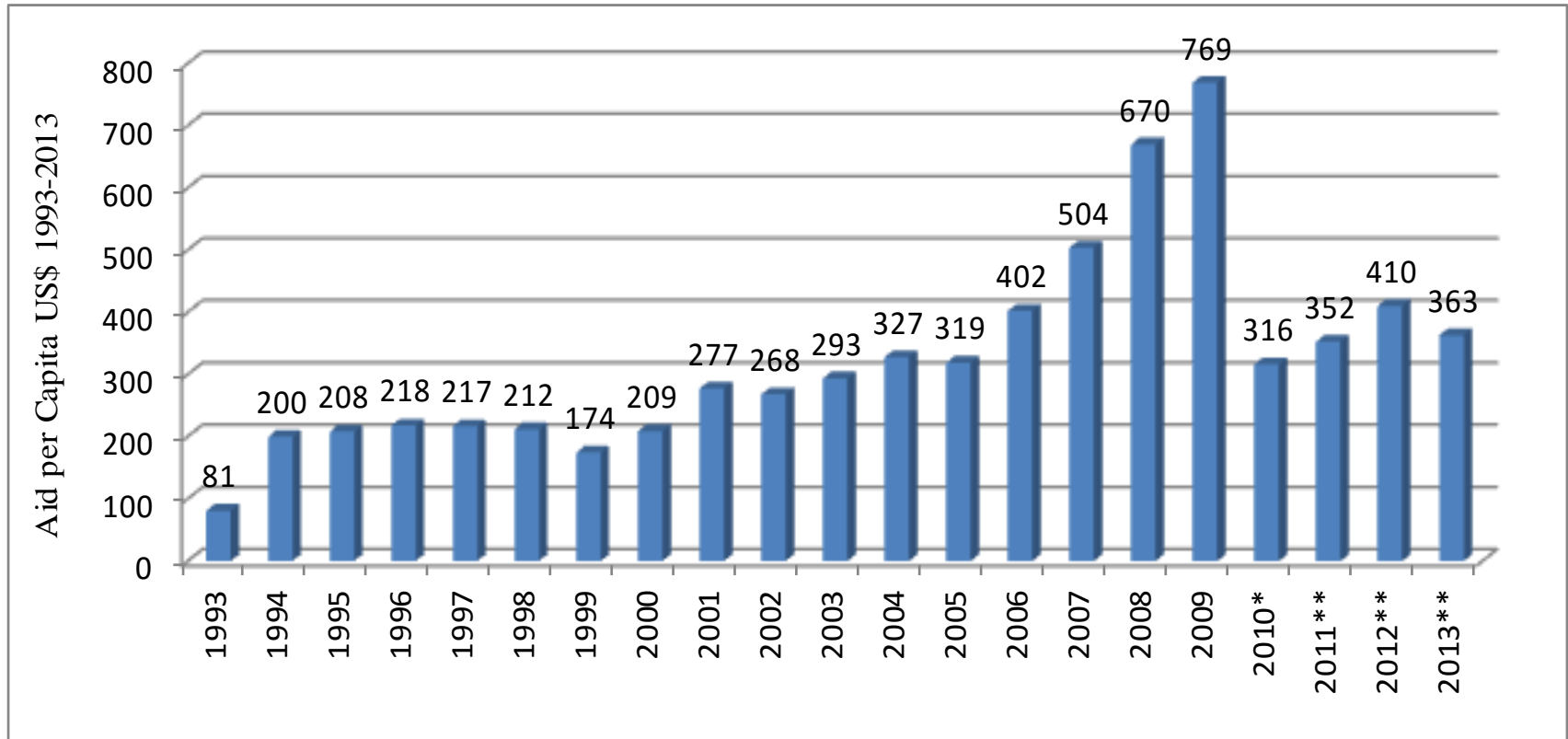
Total International Aid to Palestinian 1993-2013



Source: Compiled by Authors based on OECD/DAC, World Bank-WDI, and PAMS Databases, IMF (2011), World Bank (2011), NDP (2011), PNA (2011), PCBS (2011). Notes: (\*): Estimated figure. (\*\*): Amounts requested from donors by the PA according to the NDP.

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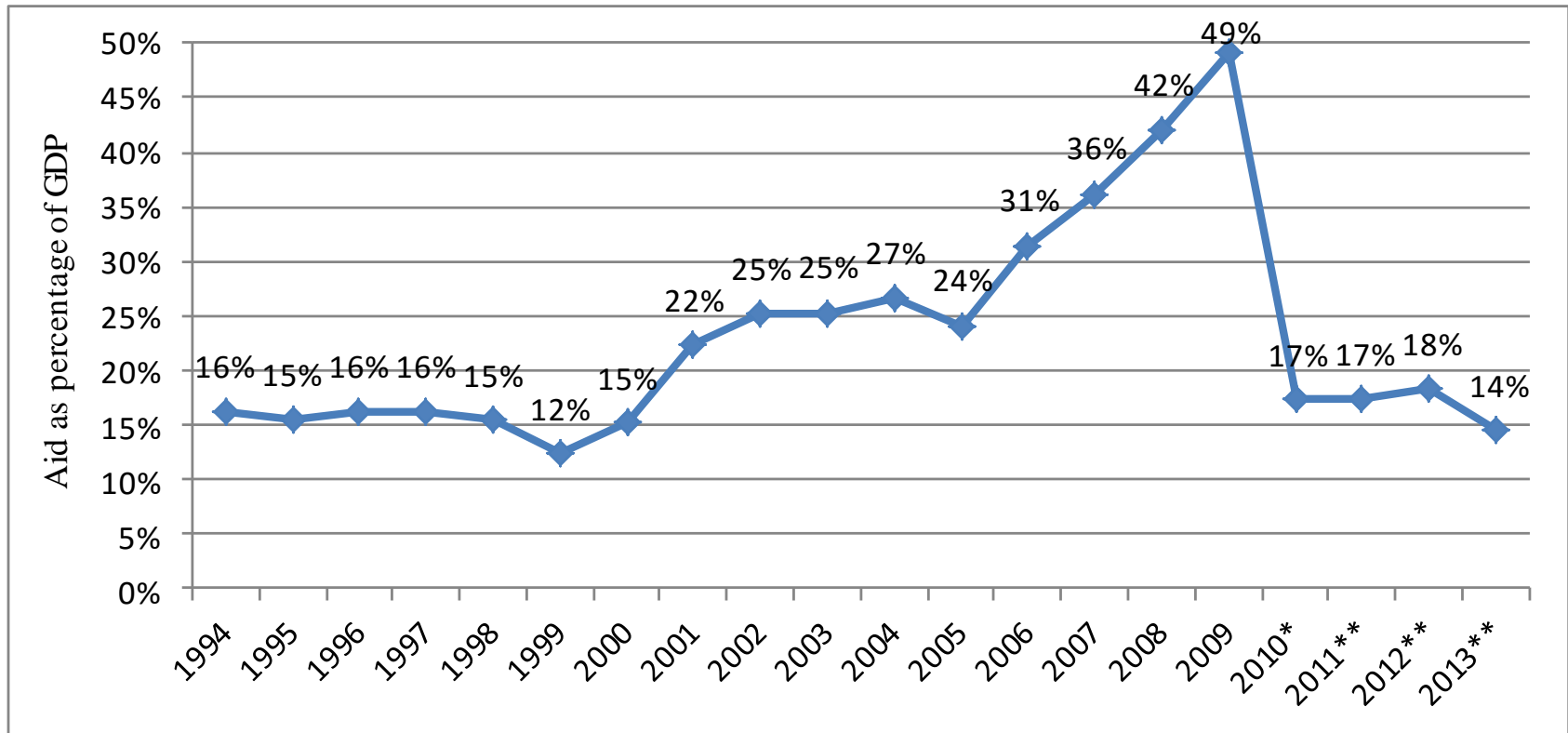
## International Aid Per Capita in West Bank and Gaza 1993-2013



Source: Compiled by Authors based on OECD/DAC, World Bank-WDI, and PAMS Databases, IMF (2011), World Bank (2011), NDP (2011), PNA (2011), PCBS (2011). Notes: (\*): Estimated figure. (\*\*): Amounts requested from donors by the PA according to the NDP.

# Is there an 'aid-development' puzzle in Palestine?

Aid as percentage of the West Bank and Gaza's GDP 1993-2013



Source: Compiled by Authors based on OECD/DAC, World Bank-WDI, and PAMS Databases, IMF (2011), World Bank (2011), NDP (2011), PNA (2011), PCBS (2011). Notes: (\*): Estimated figure. (\*\*): Amounts requested from donors by the PA according to the NDP.



# Is there an 'aid-development' puzzle in Palestine?

## The socio-economic indicators reveal a gloomy picture:

- Using the consumption-based definition, 26% of the Palestinians lived in poverty in 2009 and 2010 (19% WB, 38% GS). Using the income-based definition, 50% of the Palestinians lived in poverty (38% WB, 70% GS).
- 50% of Palestinian households were impacted by food insecurity.
- Unemployment has remained at around 30% since 2009 (47% in Gaza, 20% in WB). Unemployment rate for Palestinian youth under 30 is 43%.
- The income and opportunities inequality gap continues to widen not only between the West Bank and Gaza, but also within the West Bank.
- The manufacturing and production capacities continue to erode, while the agriculture sector remains neglected.

# Is there an ‘aid-development’ puzzle in Palestine?

**The socio-economic indicators reveal a gloomy picture:**

- Public debt doubled, while the private debts, thanks to the easier credit facilities, expanded to extraordinary rates.
- Real income per capita needs a proper deconstruction noticing the unbearable increase in the cost of living.
- The celebrated economic growth is a jobless, aid driven, with an eroded productive base (de-industrialization), non-Jerusalemite, anti-poor, and reflects an economy recovering from a low base.

**Why?? Partly because the aid industry’s actors forget that:**

**‘Receiving aid is not just like receiving an elephant but like making love to an elephant; there is no pleasure in it, you run the risk of being crushed and it takes years before you see the results. Aid is twice cursed: it curses him who gives and him who receives’ (Streeten 1976).**

# But more importantly because basic realities and facts were ignored!

- What does it mean for the aid industry that the total measurable cost of the Israeli occupation on the Palestinian economy was \$6.897 billion, a staggering 84.9% of the total Palestinian GDP in 2010?
- The imports produced in a third country and re-exported to the territories as if they were produced in Israel (indirect imports) cause losses of \$480 million per year -almost 25% of public revenues, 10% in lost gross domestic product and 30,000 jobs per year?
- 60% of the WB, classified as Area C, is completely off limits to Palestinian development, which remains masked by the glowingly talk of economic growth, impressive institution building, and a booming stock market?
- 30-45% of that aid return back directly or indirectly to the donor's countries or to the Israeli economy?
- The Israeli military occupation didn't vanish yet!





*‘Next year, the birth of a Palestinian state will be celebrated as a day of joy by the entire community of nations... The Palestinians want an independent and sovereign state, and they are not looking for a state of leftovers - a Mickey Mouse state... If for one reason or another, by August 2011 [the plan] will have failed, I believe we will have amassed such credit, in form of positive facts on the ground, that the reality is bound to force itself on the political process to produce the outcome... we will have begun a process of transformation from a concept, to a possibility, to a reality’. (April 2010)*

*‘We have reached a critical mass of change on the ground. It is the culmination of a lot of hard work. We have crossed the threshold of readiness for statehood... we are ready for statehood, on all of the occupied Palestinian Territory on 1967 borders with East Jerusalem as capital, embodying the values present in the Declaration of Independence’. (April 2011)*

*‘... We get closer to the Rendezvous with freedom... West Bank is already a state in all but name’. (August 2011)*





# What is Fayyadism and Why?



- State-building venture ‘focuses on establishing solid institutions, guided by good governance principles, respect for human rights, rule of law, and efficient and effective delivery of public services’
- It is a strategy and outcome
- It is a ‘home-grown’ phenomenon but externally sponsored
- West Bank First, and a state on 18% of Palestine
- Authoritarian approach but galvanized with modernity packages?!

## Why?

- The surrounding environment and the socio-political structural changes, aid dependency, reflection of crisis, defeat, fragmentation, end Arafat era, and ‘international wisdom’.
- To reform and sustain the PA and rescue the ‘peace process’.

# What are the 'Puzzles' and Questions?

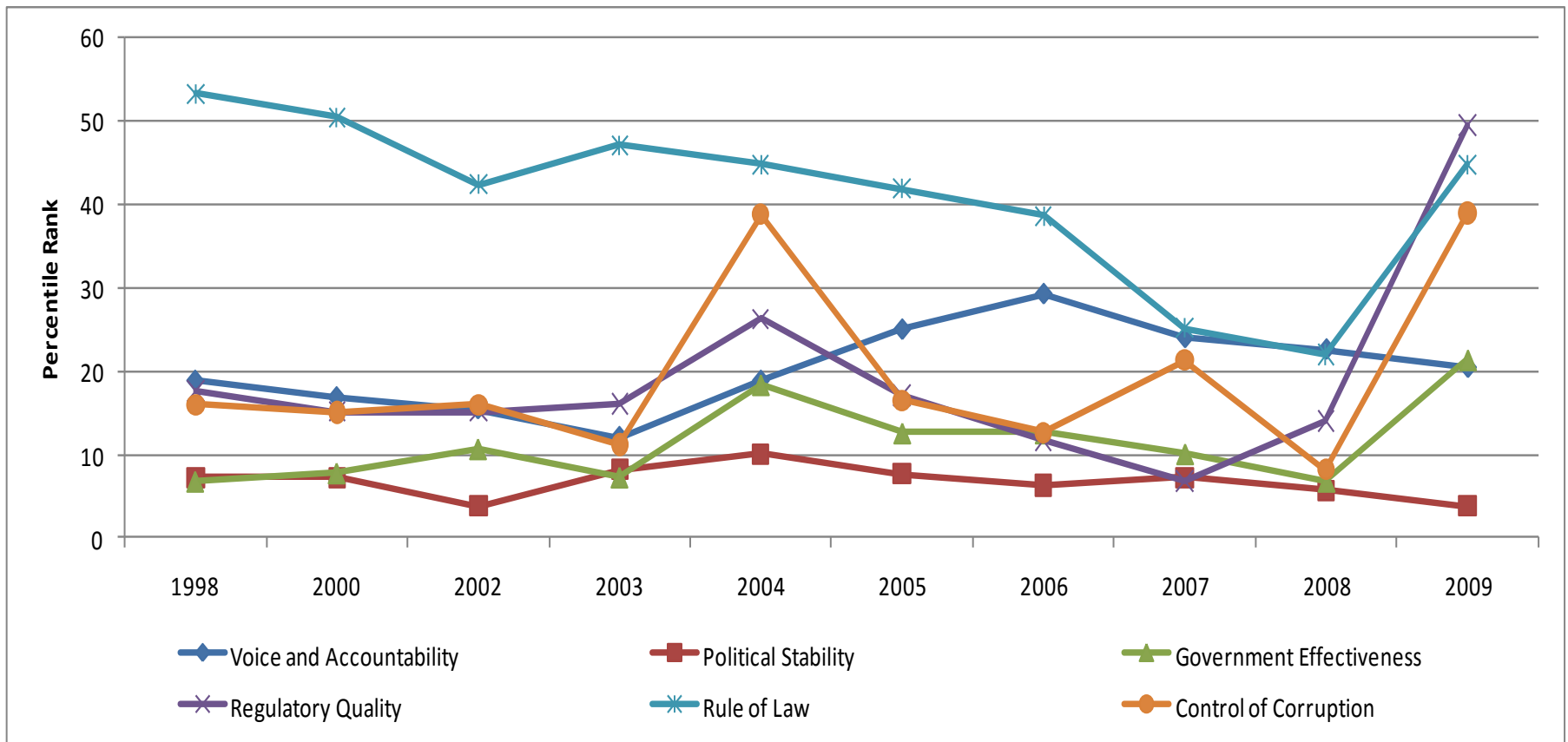
- What kind of 'powers' and 'politics of change' created the shift towards 'state before liberation'?
- How come the 'good governance institutions building' (Dawlat Al-Mo'sasat) has been elevated to a national goal in and of itself?
- Do Palestinians need a 'state' or 'homeland' (Dawlah or Watan)? What is a papier-mâché Palestinian state worth?
- How could a technocrat who lacks constitutional legitimacy, political constitute and the traditional trappings of leader redefines national priorities and provide technical prescriptions for political problems?
- Why Fayyad is viewed both as a Palestinian Messiah and as a traitor to the Cause?
- What Fayyadism has achieved and created so far?

# Achievements of Fayyadism



**Should the fact that the number of families that receive financial assistance increase from 30,000 to 90,000 make us happy and believe that aid did a miraculous job?!!**

Percentile Rank of West Bank and Gaza's Governance Indicators-WGI



Source: Worldwide Governance Indicators Database, World Bank (2011)





# Main 'Pillars' of Fayyadism



- Exclusive Peaceful Popular Resistance
- Building Legitimacy through Achievements and Provision of Public Goods and Services
- Monopoly of Force and Rule of Law
- Neo-liberal Economic Agenda
- Building Functioning and Transparent PA Institutions
- Adapt with the Existence of Occupation (Development under Occupation)
- Make the Palestinian Cause Apolitical as Possible
- Security First, Economic Development 'Peace' Second, Real Democracy Last



# The Fayyadism's Fragility



- Unsustainable economic growth- Jobless, aid driven, de-industrialize, non-Jerusalemite-Gazan, and anti-poor growth.
- Absence of democracy and check and balances institutions
- Absence of rights, sovereignty and fundamental pillars of neoliberalism
- Almost fully dependent on donors community's money and advice and Israeli mercy
- Persistent financial crisis of the Palestinian Authority
- Threatened by intra Palestinian politics, WB-GS reconciliation and possible 'revolutions'
- Weak or unreliable private sector
- Dependency 'filling pockets' and exclusion principles



# The Fayyadism of the Security



Arafatism (Pro-Hybridity/Informality)	Fayyadism (Anti-Hybridity/Informality)
Expansionary security sector and a source for public employment; quantity not quality	Re-govern and re-structure security sector; discharge the 'old guards', create new élite
Loyalty tool and buying in supporters/spoilers	Apolitical and professional forces
Parallel (shadow)- militias 'al-Aqsa Martyrs' Brigades security model'	Silence and marginalize factions and resistance; cooperation with the Israeli security forces; and move toward EUPOL COPPS and USSC model
Hybridity as a tool for maneuvering and card in negotiations; and tool for resistance and revolutionary legacy	Anti-Hybridity as monopoly of violence and tool for modern nation state building, and disarmed future state of Palestine
Corruption and cash in hand and bags	Less or hidden corruption; more transparent and different sort of incentive mechanism
One man show and personalized control	More Institutional control and systematic division of labor; and less intra-competition
Higher levels of ownership, only donors money but not hands and minds	All is donors-driven to train, buy and pay
<b><i>However, arguably both paradigm ultimate aim was to protect the Israeli security, 'suppress' the Palestinian democracy, and grow on the expense of other developmental gaps</i></b>	



# The Fayyadism of the Economy

- The notion and practice of ‘economic peace’
- A shift from an economy based on rents and rent seeking activities toward good governance and neoliberal agenda
- From Special Accounts to Single Treasury Account
- From secret to transparent, audited, not accountable records
- Privatize and formalize as much as you can
- Consume more, produce less
- More internal resources generation (taxation) toward self-reliance and lower dependency on int’l aid
- Follow the exclusive policy prescriptions of the WB and IMF
- Persistent levels of unemployment and poverty; higher income inequality, decline in production technology and labour skills, and failure to move beyond Paris Protocol



# Preconditions for Palestinian development and effective aid

- Understanding the development process as resistance, rights and freedom;
- Adopt a politicized version of Senian development model;
- Respect the self-determination and dignity in aid intervention paradigm;
- Move from the apolitical technical development models that definitely do harm toward a paradigm that acknowledges the colonial dominance and the asymmetry of power;
- Bring politics back in to the aid industry and stop using aid as a smoke screen for political failures;
- Support the resistance and steadfastness economy;
- Stop addressing the symptoms of the problem and move to address the root cause, the Israeli occupation.

# **‘Operationalizing’ these pre-conditions**

- Defeat dependency toward creating a resistance economy.
- Understand development as means to realizing rights, freedoms, and self-determination.
- A genuine bottom-up participatory citizen-centric development model should be prioritized.
- Draw a vision for an economy that sits at the heart of the Palestinian struggle.
- Maybe, getting few ‘bad’ donors out of Palestine!
- The PA should not only demand accountability from donors but also tax their operations.
- Look for new national donors and new forms of aid.
- Move beyond Fayyadism to address its fragilities.

# Beyond Fayyadism: Addressing its Fragilities

- Create the preconditions for neo-liberalism first, if you want to pursue it.
- Question the notion of development under occupation
- Develop an alternative development paradigm based on development as rights, freedom and people's will
- Conduct SSR, but preserve resistance and liberalize the land before the economy
- Build local legitimacy first as a bridge to the international one
- Democratic and check and balances institutions are prerequisite for democracy
- Phantom authority can't create a real state!

# Re-think Neutrality and Remember Colonialism

- At the end the message is short and clear: if we **Palestinians do not ensure dignity in our development, no one will.**
- It can't be in any better timing, thinking of the Arab Intifadas, to remember the infamous sayings that **'If you are neutral in situations of injustice, you have chosen the side of the oppressor';** and **'I am not interested in picking up crumbs of compassion thrown from the table of someone who considers himself my master. I want the full menu of rights'.**
- Or maybe Khader Adnan Impact!

