Future Prospects for Funding Strategies in Palestinian National Economy

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On the international levels, funding has a wide importance in the sense that it is vehemently regarded as something that attracts both the developed countries and the developing countries. This is considered as the focal point of economy and economic activities. This is because of the fact that any economy cannot continue without funding. This leads to a great care by institutions and governments as well as any social, political, and economic activity. The funding policy is regarded as one of the most important and active methods in having and preparing strategies that aim at having total control on private and public financial resources throughout financial activities to refresh the Palestinian economy. Due to the sensitivity of the current conditions, funding has a very important position and role. The deprivation stages the Palestinian people have witnessed led to lack of Palestinian rights to build national institutions and bodies that are able to adopt social and economic policies that aim at having development as well as enabling the Palestinian entire society members to face both internal and external challenges and vice versa. There is vacuum of having an independent Palestinian state after 1967. There is a strict political system of lawful individuals and political domination, imposing by an Israeli military occupation to control and rule, controlling all Palestinian life to destroy the Palestinian economy and to distort the system without any lawful and constitutional independence. During the occupation period, the Palestinians lived under a lawful and managerial military power that destroys productivity paving the way to expel Palestinians out of their home which did not enable Palestinians to have their own social policies. The Palestinian national authority, ever since its rule, started to have a rehabilitation of its economic policies within a strategic plan that ensures economic development, stability, and geographical continuation amongst Palestinian resources control in a way that supports the Palestinian economy. That builds Palestinian policies to have economic development and improvement of general performance to develop, complete, and unify law and constitution. This also aims at Palestinian society development in terms of economy giving future hopes for Palestinians to have international development projects in the sense that any Palestinian strategy quickly faces lack of fund and therefore consequently everything is put to an end. The possibility of this study is to strengthen and stimulate the direct foreign investment as an alternative of the internal funding. Moreover, this study will investigate how to achieve an increase efficiency of investment and the national funding resources that generate income. The study’s methodology is, descriptive analytical approach which has been applied because it matches the nature of this study. To answer study questions “What is the funding strategy followed by the Palestinian authority to develop the national economy?”, confirmation is made that there are no
funding strategies applied by the Palestinian authority to create funding mechanisms for development of national economy. This is not helpful for the national economy.

*Keywords:* financial strategies, financial resources, internal financing, external financing, Palestinian economy, private sector funding, public sector funding

**The Problem: What Is the Funding Strategy Followed by the Palestinian Authority to Develop the National Economy?**

The Palestinian economy faces lots of challenges that might end the government role of stimulating the economic activity for having rare funding resources relating to the national economy either in the public or private sector. This restricts the governmental stimulation of this unstable economy since 1994 due to lack of active and national fund strategies within the national economy. This shows the importance of answering this question which may come from the following sub questions:

1. What is the fact behind financing the Palestinian economy inside the Palestinian territories?
2. What are the main resources that the Palestinian authority depends on in order to develop the national economy? What are the most important strategies to face fund problems that the Palestinian economy suffers from?
3. At times of not giving the Palestinian economy, what does it need for not having Palestinian appropriate strategies and constitutions?

These questions aim to: Identify the facts of funding strategies of the Palestinian economy and specifying financial resources. The study attempts to identify financial problems that the Palestinian economy faces in order to identify some of the fund forms that take part in the development process, along with the possibility of strengthening and stimulating the direct foreign investment as an alternative of the internal funding. Moreover, the study will investigate how to achieve an increase in the efficiency of investment and the national funding resources that generate income. The study used the methodology for this study, descriptive analytical approach has been applied because it matches the nature of this study. The inductive approach is also used when it is necessary to specify the efficiency extent of the Palestinian funding processes to stimulate the Palestinian economic activity.

**Letreture Review**

Many studies tried to focus on the prospectus of Palestinian funding measures, such as, Abou hemad (2011), focusing on the international funding towards the Palestinian National Institutions and identifying its effects on the political development in the Gaza Strip and the role of the international funding in the implementation of the political development needs of the Palestinian people. The study finds out that the international funding does not achieve the development priorities because it seeks to achieve goals of the donor countries in Palestine. The aids offered by the western world took place within a development plan that suits their political goals and that does not suit what Palestinian people need. While Sabri and Nidal (2003), try to specify different aspects of supply and demand of the fund process of the Palestinian private sector. The study concluded that there are problems in funding in that there are complaints related to supply and demand. Another study by Mostafa (2002), aimed to identify the external financial resources nature relating to resources and conditions and the scale of the external debts and the Syrian ability to accept it. The study concluded that
the large number of financial resources is not enough to activate and step up the development process. This requires having special institutions to work with external capital investment that can invest and borrow the capital and work of the Syrian government to develop its economy and the direct week foreign investment out there. Other studies by While Zawawy (2009), focus on producing the most important traditional funding resources of the economic institution by clarifying positive and weak points of each resource. In addition, there is a need of trying to limit related concepts within the institution throughout determination of the potential financial resources. The study concluded that the information of Sonelgaz institution reveals the big role it has to achieve economic and social development and the adaptation with a variety of social and economic developments. There is a need to release the power sector and to expand the network of transferring gas and power to reach different areas. The study demonstrates that the bank fund is regarded as one of its most important financial resources. That takes place in addition to the funding available throughout inventory loans represented by suppliers and payment bills. It is important to depend on a highly updated technology for funding and that is the project financing technology.

Commented on the role of international funding to the Palestinian civil institutions and the identification of its impact on the Gaza Strip political development, this takes place in addition to the international role over achieving requirements of the Palestinian political development and meeting its needs as Abou Hamad’s study shows. Additionally, Sabri’s study revealed different aspects of supply and demand relating to the process of Palestinian private sector project financing. What is more, Hussein’s study revealed the identification of the external financial resources nature in a way that its resources and conditions were applied by Syria and the size of Syrian debts and the Syrian economic ability to withstand it. It is worthwhile to be mentioned that those studies did not pinpoint or clarify the Palestinian strategies related to the funding processes in the private or public sectors and this made the current study distinctive.

Compared to other studies, this study is regarded to be unique in the sense that it concentrates on the facts of the Palestinian economy funding and specifying fund resources. In addition to trying to identify the funding problems that the Palestinian economy faces it should determine some of the financing forms that participate in the development process. This specifies the possibility of strengthening and stimulating the direct foreign investment as an alternative to the internal funding and how to increase investment efficiency as well as the national funding resource that generates income.

It is important to define the funding determinant specially funding has many definitions such as:

It is regarded as a group of methods, ways, and tools that are used to have money needed to cover their investment and trade activities and funding resources are specified in accordance with available resources in the financial environment and available market as well (Al-Shibib, 2004, p. 99). Others who consider the funding process as the search of the resource used by management to get money needed to start its activities and then have this funding (Tawfik, 1993, p. 333).

There are others that define it as a variety of money given to the institution to fund its investment projects including all elements through which liabilities form is made (Alhindy, 1998, p. 5).

What could be more vital and worthwhile to mention is that the funding process is the well-organized one that is applied by management within specific institutions either private or public to start financial planning processes to be obtained from suitable financial resources in order to have enough money to cover basic institution needs. There is a need to participate in achieving its goals and to implement balance between
opposition parties that have dominance over the institution success.²

The basic aim of funding is to cover financial long- or short-term needs taking into account that the private sector and the public sector have same goals that are either to fund current processes and capital processes within the institution strategy frame in order to seek fund.

The short-term funding strategy success is linked to specifying the needed financing period to fund consumptive and productive economic sector.

The short-term funding has an important role in continuing and expanding the economic activity and that is the main motive of current processes to cover a big part of current assets elements. They tend to fund the deficit triggered by the institution internal activity development and there is also a need to cover its debts and inventory. Followings are the most important trade and bank credit resources.

Following are some of the most important reasons of having short-term funding (Fadiela, 2009, p. 32): that is because the costs of having short-term funding is less than having long-term funding due to the short period of repayment and the reduction of risk degree, and sometimes short-term funding does not have interests and it does not have any cost to get credit. The short-term funding is also used to bridge the existing gap of liquidity and to fund the seasonal needs.

The long-term funding is used to cover the investment activities for long periods in order to have real estate such as trade, managerial, and industrial buildings or to have production tools and methods. This kind of funding has the following purpose:

A. Buying permanent and long-term assets.
B. Funding the permanent part of the working capital whereas the other part is funded by a combination of overdraft and short-term funding (Wahedah, 2007, p. 25).

**Importance of Funding to the Palestinian Economy**

The importance of funding is immensely related to the existence and continuation of institutions work and this reflects the institution ability to pay the projects running costs, and to develop future programs which is referred to as development costs and to keep its assets and to work on increasing its investment costs. Work expansion and development to face future challenges means there is a need to explain and develop work. Limiting dependence on that lack of any funding resource means having a funding crisis. Stability and continuity of economy doesn’t only mean that there should be fundraising from time to time and cover estimated needs as planned but also there should be strong instructions that are able to continue work throughout its independence (Shobaki & Abu Shmalh, 2013, p. 26). Funding is certainly regarded as the most important topic for researchers in these days because of the fact that investment and funding are strongly related to each other in terms of finance and economy for the entire world. It is regarded as one of the focal matters for lots of developing countries that work on getting rid of sustainable and continuous deficit relating to their domestic savings and financial liabilities. Funding is classified into two kinds:

Internal funding is one of the most important resources that the country should depend on in the funding process in the sense that it uses the domestic resources to fund the economic development within any area that has domestic savings. Any economy in the world usually has four primary funding resources that are: self-finance, third party funding, credit funding, and lease funding (Abu Jmaie, 2015, p. 160). Those resources

² When having financing from different resources, it is important to consider the following: suitable financial conditions, financial costs, the company financial flaw ability, flexibility, sales stability and development, the company size (Abu Jamie, 2015, p. 180).
derive the capital which funds them for the sake of those that request funding and the funding resources are considered as internal to:

Internal funding which is usually available due to income surplus in the form of different saving that equals in Palestine (18%-19%) since 1994 (Palestinian Monetary Authority, fiscal report, 2012) and most importantly, those savings do not fulfill the needs of funding represented by investment of 57% for the period (2006-2012) and that is the maximum and that has one of the following forms:

Optional saving: those are the savings voluntarily implemented by personnel and institutions without any pressure from any third party and that have two classifications that are the householder saving and business saving (Husseini, 1999, p. 41). Compulsory saving, this kind of saving is deducted from personnel in an obligatory way or made forcibly from a third party. It is collective saving and government saving (Zaytwney, 2007, p. 14). Total exports: those are flows of foreign exchange derived out of visible goods and invisible goods which lead to increase of public income and expenses. Demands on the increase for services and goods give investors more incentives to invest more and therefore economy is improved due to having more products and use of income surplus (Husseini, 1999, p. 48), in 2014, export value equaled 1,040.5 million USD which is a 100% increase compared to the year when export has the value of 549.0 million USD. The international fundings have many constraints such as (Al Adareh, 2011, p. 48), refusal of private sector to participate in civil work funding processes, lack of incentives and advantages to motivate financiers to relinquish their money, the government imposes legal restrictions on funding processes and collecting donations, lack of saving incentives in the sense that the average savings interest does not exceed 0.5\%\(^{3}\), and the consumption increase of Palestinian people that resulted in having a consumptive Palestinian society that is not a productive one taking into account that the Palestinian consumption is more than the domestic production because of grant and the outside Palestinian referral acts.

It is important to notice that the problem Palestinian people face is as similar as that the developing world has. That is represented by lack of internal capital that resulted in the weakness of the Palestinian funding ability as well as the suffering of the Palestinian economy due to having less investment and rare available capital at times of Palestinian economy success triggered by partial development by dependence on resources privatization and increase of investment rate via legal stimulation, open economy, and investment stimulation hampered by Palestinian and Israeli practices.

This quite largely leads to an outside funding where the Palestinian government is used to implement and achieve the goals of donors in the area. This was one of the reasons of the Palestinian conflicts which resulted in Palestinian division. This means that the domestic savings are not enough without dependence on the outside funding resources.

External funding, as a result of the Palestinian internal funding weakness without having an ability to provide internal funding, has an urgent need of external funding and is considered as the basic factor to provide the necessary foreign monetary resources for having reciprocal economy and technology as well and because the domestic savings are not enough without dependence on the external foreign Monetary. External funding resources are classified into the external loans that the government receives from a foreign government or from a virtual or normal person who lives outside. The government borrows money from external country because of the need to the capital and because of not having enough national savings to cover funding and the need of the

\(^{3}\) It is considered over the past 10 years relating to savings of all currencies kinds and the different overdue periods for savings according to the Palestinian Monetary Fund statistics.
foreign currency and cover the deficit of its trade balance or to support the national currency in order to be safe (Abu Mustafa, 2009, p. 52), which is available from different resources and it consists of: foreign countries and governments, international commercial banks, multi party international lending institutions, International Monetary Fund, World Bank, and European Investment Bank (Aobada, 2001, p. 37).

Table 1 shows direct external loans of the Palestinian authority according to the lender in 2014. Table 2 demonstrates external loans development given the Palestinian authority from 1994 to 2014. These two tables clarify the massive and accumulative burden on the Palestinian authority budget.

Table 1

<table>
<thead>
<tr>
<th>No.</th>
<th>The lender</th>
<th>Loan value (million USD)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Arabic financial institutions</td>
<td>620.9</td>
</tr>
<tr>
<td></td>
<td>Alaqsa Fund</td>
<td>517.4</td>
</tr>
<tr>
<td></td>
<td>Arabic Fund of Social and Economic Development</td>
<td>56.9</td>
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<td></td>
<td>Islamic Bank of Development</td>
<td>46.6</td>
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<tr>
<td>2</td>
<td>International and regional institutions</td>
<td>347.7</td>
</tr>
<tr>
<td></td>
<td>World Bank</td>
<td>276.7</td>
</tr>
<tr>
<td></td>
<td>European Investment Bank</td>
<td>48.1</td>
</tr>
<tr>
<td></td>
<td>International Fund of Agricultural Development</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>OPEC</td>
<td>20.2</td>
</tr>
<tr>
<td>3</td>
<td>Bilateral loans</td>
<td>120.2</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
<td>84.4</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>30.3</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,088.80</td>
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</tbody>
</table>


Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan value (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>40</td>
</tr>
<tr>
<td>2000</td>
<td>378</td>
</tr>
<tr>
<td>2010</td>
<td>1,043.2</td>
</tr>
<tr>
<td>2014</td>
<td>1,088.8</td>
</tr>
</tbody>
</table>


Question might be asked: why are the external loans? The need for external loans comes due to the lack of national savings (for internal loans) to fund the economic and social projects and not being able to have the needed resources for sorting out available balance of payment to get required foreign currency relating to external loans. Dealing with external loans, the following precautions must be taken into account: (Abu Mustafa, 2009, p. 52) lenders make use of the borrowing country conditions and linking its situations relating to grants and loans by having severely difficult conditions and very high interest rates which result in having external debts burden on the national economy, interference on economic policies (fund and financial ones) in a way that serves lenders rights. External loans take place in accordance with the value of foreign fund rates which become high if compared to the national currency exchange rates. This leads to a very heavy burden on
the national currency and circumstances and what can be more important to be mentioned is the fact that external loans are considered to be of pivotal importance and this is because of the fact that the developing countries consider external loans as an element that gives them more freedom in decision making. This also does not allow foreign countries and companies to interfere in the social, political, and economic conditions of the country that receives such loans. This is not correct because the international institutions and the World Bank loans are conditional to serve certain and specific society needs.

Definitions of internal aids vary due to the field difference in that it is called assistance or grant or present and others consider that to be an international funding, it can consider that to be a foreign currency that could not be depended upon and those are loans from lenders to specific and certain countries. Usually, loans reflect interests of donors. This is the money (in-kind or cash) that is given by donors in a way that is direct or indirect inside or outside of the country. Donors can be personnel, institutions, banks or others to have different goals such as being lack of budget deficit and urgent aids.

Donors gave aids to the Palestinian authority in the aftermath of Washington-based donor countries conference where 42 donors participated in 1993. The basic aim of the conference is to provide aids to Palestinians and put a mechanism of giving aids to the Palestinian authority to enable the Palestinian authority to have control of its areas and regions according to political agreements with Israelis (Abdullah, 2005, p. 21). It has a role to consider infrastructure and to fund the management of the Palestinian development process. Within three months of the conferences, total value of loans equals 2.7 billion USD. Different areas and regions provided aids to the Palestinians. In the end of 1994, total value of aids and assistance equaled 7 billion USD (Abdul Karim, 2005, p. 118).

The information and decision support centre in the ministry of planning had a study on the international aids’ impact on the Palestinian economy development over the past two decades and those aids had two stages as follows:

The first one gives stable aids and it was after Oslo agreement. Donors are the European Union, USA, and Japan (1994-2000), total aids value is 3.863 million USD in order to apply the peace accord between Palestinians and Israelis.

The second stage is not stable because Islamic and Arabic countries gave aids after Alaqsa uprising in 2001-2011 and during that period, aids had a value of 11.116 million USD. In the aftermath of war on Gaza in 2008, the most important donors were the Arab countries and Arabic financial organizations, then the European Union and then USA. During the period of 2002-2011 most aids were considered to be relief assistance (Basiouni, 2014, p. 34).

The international aids value equals 24.6 billion USD since the establishment of the Palestinian authority in 1993 according to statistics of OECD. Aids values approximately redoubled 17 times between 1993-2009. Financial aids between 2007-2012 are more than that of 2004-2005. After 2004, external aids value was 24%-42% out of the total domestic production. Average fiscal aids value for personnel is 530 USD and that put Palestinian on the top of list of international financial support (Tartir, 2016, p. 62).

In 1994, aids value equals 325 million USD. In 2010, aids value equals 1,278.0 million USD. In 2014, aids value equals 1,230.4 million USD. 2014 has a reduction of aids by 10.4% (the Palestinian Monetary Fund, 2015, p. 115). Compared to previous year, value is 4,402.3 million NIS. It covered 34.2% of the generally total expenses. Aids and grant have 29.7% of the generally total revenue and grant compared to about 34.9% in 2013. External help and aids are regarded to be basic tributaries of the treasury tributaries. Most of it is used to
support the balance. The remaining part is used to support small developmental projects in that aids equal 3,676.1 million NIS that is about 83.5% of aids in 2014 equaling 726.3 million NIS that is about 16.5%, some parts of it are used to support developmental projects (Palestinian Monetary Authority, fiscal year 2014, p. 36).

The international aid has many disadvantages such as having a weak Palestinian government that is not able to have a powerful economy within developmental strategies of self-developmental chances and having senior and top-level political class in the Palestinian government and donors that get the biggest donation and aids that reach one fifth under different names.

Most importantly, in spite of having big amount of financial aids, Palestinian institutions and organizations are not built or created to work in efficient and professional ways that withstand challenges and difficulties due to lack of development strategies and visions inside the government and civil institutions because of not having a unified national plan of activating financial support and aids (Abdul Karim, 2005, p. 130).

International aids do not continue for ever in the sense that they are temporary and are not guaranteed and no one can depend on them as a permanent funding resource and therefore the Palestinian government can not rely on such aids as a stable funding option. This means that the external aids must be dealt with by careful planning for the most part. What is more, there must be other funding resources as an alternative to be available as well in the Palestinian funding strategies. There must be search for an alternative because it is inevitable that such aids will stop one day.

Foreign investment as another source of funding, has an important role in the developing world economy this is entirely because the domestic investment is not able to provide the needed development investment requirements in addition to investment factors that the developing counties have. The foreign investment consists of: direct and indirect foreign investment.

Direct foreign investment in Palestine equals about 122.6 million USD. At the end of 2010, it equaled 1,378.3 million USD whereas at the end of 2014, it equaled 1,568 million USD (Palestinian Central Statistics Office, Palestinian Monetary Authority, 2015, p. 27).

The foreign investment importance lies in, reduction of unemployment rate and the ability to have job creation, having chances of domestic products to be sold in the international market and having productions in line with international standards, being able to train domestic staff technically and administratively in addition to exchanges of experiences, actual participation of development fields in the developing world, and compensation of lack of domestic economy savings to having an increase of the capital (Abu Jamie, 2013, p. 432).

Indirect foreign investment, is the investment of buying documents and shares either from public or private concerned countries. This kind of investment does not have a high control and influence because of the weakness of projects shares degree in addition to the investor rights in management. It has the following forms and loans given to the government or companies or personnel by bank or foreign banking institutions in the concerned country. It includes production or manufacturing licenses provided by some foreign companies to domestic companies under agreement and specific returns (Saidi, 2007, p. 67).

Foreign investment also has many risks: potential risks of balance payment that are the result of foreign

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4 Following is an example of those names that is the payment for Palestinian and foreign experts and consultants that is less than their work as shown in some of the archived reports in Palestine in that aids are given for new resources creation purposes for the so-called the donors experts.
investment of imports that leads to the increase of commercial deficit and overload, potential work, and income risks because of politics nature selected by those countries regardless of those investments nature. There are problems of unemployment reduction in the short term and those problems increase because of the role of international institutions (Agha & Abu Jamie, 2010, p. 488); risks of technological dependence that take place because of not having qualified employees which leads to dependence on such technology related to the foreign investment and Potential risks on the domestic market due to the monopoly imposed by the foreign investment (Cham, 2001, pp. 13-14).

The foreign investment to the Palestinian economy can be attracted directly due to availability of surplus in the workforce, the need of investment for the new Palestinian economy which depends on exports to cover its needs of external products, donors in the outside with a desire and willingness to get back to Palestinian, International aids to build industrial areas to have economic development due to the stalemate of the Palestinian political circumstances, or indirectly by stating private and legal laws of the market and the financial work, selling Palestinian shares in the outside market, participation in different conferences to provide available investment chances in Palestine as well as increasing the domestic and international investment awareness (Agha & Abu Jamie, 2010, p. 442). The Palestinian external funding has many problems, which can be identified as, throughout the intensive Palestinian practices of having external funding as a basic funding alternative the Palestinian could not have the intention and power to specify the funding priorities due to the donor intervention in terms of implementing donors’ policies, lack of arrangement because civil institutions and the authority can’t specify the fund goals to ensure having programs agreed upon within a complementary relationship. Financing emergency programs do not belong to any organizational or developmental plan within a national plan in Palestine, having highly competitive relations between civil institutions and the Palestinian successive governments relating to the external funding in spite of having direct or indirect donors’ aims, having competitive relations between civil institutions themselves to get external funding despite donors direct or indirect goals. Financial dependence on external fund is created by civil Palestinian institutions and the Palestinian authority. Donors’ countries programs are quite essentially political because of the fact that they link between the national and civil institutions political conditions and the external funding (Al Adareh, 2011, p. 33). In addition to that, there are problems related to mismanagement, lack of goals, and self interests. Also the increasing bureaucratic system’s operation cost is tens of times more than its social returns. There is a negative relationship between the external funding and the Palestinian development as tens of studies show. The Palestinian economy needs funding due to the suffering of four basic gaps which are: the budget gap (government expenses-government revenues) and external gap (imports-exports). Additionally, there is the internal gap (investment-saving) and the work market gap. Those gaps are the result of not having enough capital to bridge these gaps. This is the outcome of inefficient financial policies and not being able to have a Palestinian monetary policy to have a control on funding in order to bridge those gaps. The funding concept is summarized throughout the following points (Shobaki & Abu shamalh, 2013, p. 26):

- Providing enough capital to have projects that lead to job creation chances to remove unemployment and to implement economic development.
- There is a Palestinian need of economy so as to continue which means it can continue by paying all of its existence costs in addition to developing future programs, paying employees dues and to protecting its additional assets.
- Reduction and decrease of its dependence in that any demise of fund resources means a problem.
Sustainability and continuity of economy in the sense that the basic idea is not to have fundraising from time to time or on a yearly basis and to cover needs by planning only but also it is how to create strong institutions that are able to continue through independence.

It remains to be seen that the Palestinian economy is weak development funding resource, and it has lots of problems in addition to that it can not withstand any challenges in terms of finance or production. Lack of arrangement with the Palestinian geographic areas and political parties triggers an entirely big gap and problems with references to the Israeli economy. There is a failure to develop such economy and this is not only the responsibility of the government but also it is the responsibility of the entire Palestinian society to be supported by a political culture throughout participation and emphasis on Palestinian national principles in all things including funding.

On the Palestinian level, any available resources are as similar as those of any economy as what has been previously mentioned. It consists of international aids, grant, loans, general revenues, or Palestinian authority different kinds of revenues. The private sector controls most of the national savings. There are external investments and commercial loans of the international market. What is more, from one side, the goals of funding resources have a control on the national process and from the other side, there is a control on its different developmental directions. When looking for funding, the following points should be taken into account:

The international funding aids resources such as loans which are temporary, so it should be used in a perfect and efficient way to activate the private sector and to attract external funding of powerful and energetic impact (This means using the temporary resources to have a permanent funding which can be relied on).

Gradually, there is a need for rehabilitation and planning relating to the governmental revenues and fund to replace the international funding in order to have a well-organized environment that is quite extraordinarily suitable to activate private investment (Abu Jmaie & Haneen, 2012, p. 8).

Borrowing from international market is expensive from one side and is not easy in accordance with needs from the other side. This means that countries finally have an option to get funding to some of the projects. The Palestinian economy ability to have borrowing is under restrictions as the following factors reveal. Some of those factors are:

- The Palestinian authority failure to create economically stable environment.
- Lack of credibility of the Palestinian economy due to lack of neutral parties and having nepotism. Those parties are one-sided.
- Lack of national strategy to have regulations of current expenses in order for those expenses to increase investment in a way that reduces dependence on the gradually reduced international aids.
- Increase of Palestinian economy risks degree.

The international aids or revenues are not given to the private sector activities that can be funded by the private sector whereas such participation is limited to activities that stimulate the private sector to have investment relating to those activities in addition to providing guarantees to the outside investors particularly to reduce the foreign and private sector risk, also to give the private sector easy access to available funding resource on the national and international levels (Abdullah, 1998, p. 14). Those concepts should be considered, referring to the Palestinian economy funding strategies, and it is easy for the Palestinian economy to get aids.

Government has a very important role in funding process by providing necessary fund to be distributed to
different sectors within the priorities of the economic development plan. The government has a role which is not only to provide investment environment that is suitable and stimulates both domestic and foreign investment relating to personal, companies, and businessmen that have active participation in the development process by an organized protection and stimulation of investors money but also the government provides funding through different ways of suitable capital costs and returns of different usage. Then, helping factors become available including necessary financing of economic sectors by a possibility of having bilateral or group agreements for exports and imports. In addition, the government encourages the development process of personnel and companies. The government must have specific and private strategies of investment to support projects throughout different ways, economically, technically, and administrative assistance (Abu Jmaie & Haneen, 2012, p. 7).

One should not forget the government support which is made clear when commercial banks are not willing to deal with small projects and with the big institutions due to the increase of risk, which can reduce its conditions when the government has a guarantee of losses and bring about support of newly special institutions and institutions that guarantee bank credits risk of small projects. The government can intervene through some of the ways such as:

- Direct intervention: this is by financing public sector projects as well as the private one. In addition, this is applied on projects establishment and their shares subscription or to guarantee sales of those shares with having available foreign capital and having domestic savings that are not possible in the Palestinian spectrum.

- Indirect intervention: stabilizing the monetary conditions to have reduced prices of some of the domestic products such as those of infrastructure and power. There is a suggestion of having free products and reducing taxes and products rights against all risks which are not entirely possible on the Palestinian levels.

The funding problem in Palestine in public and private sectors requires a national strategy for a permanent solution. This should take place by intensification of the funding resources and having new resources as well. There should be an economic system for economy development. Consumption should be reduced and savings should be increased. Resources should only be used to support production sectors by depending on domestic and national resources. National expenses should be organized. The government should intervene in putting economic policy to a funding strategy for economic development that is as the same as the world development. This only can take place when there are national funding institutions and special committees to supervise work to put regulations on the external funding. This is applicable on the Palestinian authority that has aids to have projects for development of the capital throughout PEC DAR, the Palestinian economic council of development and rebuilding\(^5\). Preparing current strategies to fund the Palestinian projects by having self-finance can only happen when the government institutions have the ability and willingness to do that through the following.

**Preparing Current Strategies to Fund the Palestinian Economy (Self-finance)**

The grassroots’ solution for funding problems in Palestine only takes place when there is an independent Palestinian county. This independent country should have full control over borders and should have decision making ability, control of resources, and full permission to achieve national goals. The basic aim is to support the Palestinian economy in an independent way. This puts an end to the Israeli occupation by increasing the

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\(^5\) PEC DAR is an institution that monitors developmental projects funded by donor countries such as schools, hospitals, roads, and infrastructure projects. PEC DAR prepares budgets and financial and technical reports requested by financiers or “donors”. http://www.wafainfo.ps/atemplate.aspx?id=4323.
Israeli government costs (there should be reduction of Israeli achievements), reducing the cost of occupation resistance by reducing the Israeli economy dependence. The economic growth should be ready after having a fully independent Palestinian authority in order to merge in the international and world economy (Naser, 2003, p. 111). This strategy can only succeed when there is contact with the nearby Palestinian, regional and Arab countries to serve Palestinian needs without serving political needs. This strategy depends on the following procedures:

**Solving distortions**, the basic step of supporting the Palestinian economy is to get rid of dysfunction and the accumulative distortions took place over the past decades. This is to get rid of occupation (Alnageb, 2003, p. 22). This is regarded as a very difficult process because all interests and work built over the past decades must be separated and distracted. All efforts must be unified to support the national Palestinian economy by using economic and political tools to strengthen investment and savings. Getting rid of those distortions takes a very long time because of the fact that the Palestinian economy currently has difficult conditions that might hamper those procedures therefore an immediate step to get rid of distortions must be implemented and as quickly as possible in accordance with current conditions and circumstances. In the next period, there will be an assumption that the Palestinian authority is able to take decisions and to have better achievement through national strategies to trigger economic development and wider impact to iron out dependence and distortions. Following are some of the procedures and suggested policies to strengthen the Palestinian independent economy:

- Continuation of supporting different production sectors and increasing its competitive ability.
- Having various and outside relations and limiting the Israeli relations. The relations with the Arab and Islamic world should be strengthened (Agha & Abu Jamie, 2010, p. 477).
- Development of the capital and human resources by continuous support of educational, healthy, and social institutions.
- Improvement and development of the Palestinian economy and investment environment (Abdullah, 2005, p. 49).
- Activating the financially private policies of the general budget towards increasing the government spending return.
- Activating the disguised unemployment for Palestinian workers for products that increase revenues added value.
- Setting up senior council for funding without any bad politicians involvement. There should be technocrat to widen, create, and distribute funding resources.

**Human resources depevelopment**, this happens by more investment in the field of education, training, health, and others (Agha & Abu Jamie, 2010, p. 504). Development of human resources can only happen by involvement, support, and applications of development strategies that bring about value for human resources by focusing on the experience and so on, taking legal conditions into account. Human resources should be strengthened to get rid of the Israeli occupation distortions. The Palestinian economy should merge in other countries economy as soon as possible by having more productive economy to import Palestinian products and services and to have an added value. This is instead of concentrating on sending the work force to the outside market that eventually proved to be inefficient, especially the Qatari project. The development of human resources leads to general investment increase and general production rise for workers. Afterwards, this leads to more demand on the Palestinian work force, and the increase of production triggers reduction of costs and therefore consequently increase of Palestinian products competition. There are more acceptable Palestinian
workers in the Palestinian market particularly in the Palestinian private sector. There is a financially sustainable support to the Palestinian health institutions in addition to the social development roles of those institutions and their workers by increasing the belongings of those sectors in the general budget and the rebuilding budget between the general and private sectors in a way to provide products and requirements that are needed by the Palestinian society.

Concentration is on the study by all fields of agricultural, industrial, building and others by giving a national priority for development and increasing the research tools and belongings in the general budget. This is because the development process success is entirely related to scientific research and centres of credibility and efficiency to increase productivity and technological advancement. Focusing on professional and technological training and strategies to what is known as the Palestinian pioneer is through stimulation processes available to match Palestinian economic needs and the work market. There should be encouragement of the private sector to participate in professional training in the private institutions (Abdullah, 2005a, p. 94).

Continuous support of productive sectors, private policies develop human resources and improve investment environment to increase competition in the Palestinian products by solving distortions of the Palestinian products. There should be improvement of the general sector performance (Alnageb, 2003, p. 31). There should be economic, political, and managerial reforms together with legal environment to support competition processes. There should be rebuilding of the infrastructure and continuation of building the institutions that support investment. Products of the different economic sectors should be increased in a way to reduce production costs and distribution costs as well. This helps improve the Palestinian distortions. Those policies result in the increase of the participating of the basically productive sectors through having a total domestic production shown in Table 3. There should be increase of different and productive sectors capacity to increase imports and to reduce exports and deficit of the trade balance. The economy should be ready for sustainable development in the aftermath of the Palestinian government in the long run (Naser, 2003, p. 121). This happens by increasing productivity to step up the investment rate of return to attract investment which provides continuous funding for the development process.

Table 3

<table>
<thead>
<tr>
<th>Sector</th>
<th>Domestic production participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8.7</td>
</tr>
<tr>
<td>Industry</td>
<td>13.0</td>
</tr>
<tr>
<td>Building</td>
<td>15.5</td>
</tr>
<tr>
<td>Services</td>
<td>62.8</td>
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</tbody>
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Improvement of investment environment, the Palestinian economy investment environment requires rebuilding, maintenance, and development of the infrastructure. There should be rebuilding, and damage should be removed so there should be restoration. The airport and the main roads should be rebuilt. Other important projects should be continued such as the seaport in order to reduce costs and to increase expected investment returns to boost both domestic and foreign investment. The public places distortions should be solved in order to improve investment in addition to resources triggered by the Israeli control of the Palestinian resources and the confiscation of lands. This requires reconsideration of the Palestinian Israeli agreements and there should be
international pressure against Israel to stop confiscation of lands (Abdullah, 2003, p. 116). This requires a national strategy to reconsider the development policies when activated and available in order to attract the development process in a way that increases the funding available for investment.

Variation of economic external relation, one of the most dangerous economic distortions, is the Israeli monopoly. The Palestinian external economic relations should be strengthened during the Israeli occupation and throughout the direct or indirect transitional period. This requires having a national strategy of basic goals to have a variety of Palestinian relations with the international community because this improves the Palestinian economy throughout its independence. There should be steps to have relations between the Palestinian economy and the international community to have procedures and policies to increase the relationship between the Palestinian economy and the Islamic and Arab economy as well. There should be funding strategy that is strongly related to investment and imports encouragement and marketing services that are pretty fairly suitable to the Palestinian product.

There should be commitment to standards and features. It is important to simplify the Palestinian businessmen participation in the commercial and international markets. There should be activation of the international agreements and the commercial protocols with many countries. This includes Arab nearby countries and Gulf cooperation council countries to support commercial trade between them. The Palestinian products should be given chances for competition in the market. The advantages might be available instead of the funding provided by the Gulf cooperation council countries for Palestine to support the Palestinian economy (Naser, 2003, pp. 130-131).

An Alternative Strategy of the Palestinian Government Funding Policies

This Strategy aims to, provide necessary funding to the private and public sectors, reducing costs of finance to suit the low return rates of the Palestinian economy, reducing the risk burden of the Palestinian investment, and reinvesting the savings available in the general Palestinian banks to the Palestinian economy.

This Strategy can be executed by the Maine basic, the monetary authority represented by the Palestinian government, private sector represented by banks and the market investment companies, Palestinian higher education institutions represented by economic colleges.

The strategic visible scenarios are:

First scenario: Conditions should remain as they are without improvement and without funding. Concentration is on the consumptive funding by using all of the domestic income whereas banks have more earnings. The cost of finance is increased as well as the need for international funding which negatively affects the Palestinian decision making and therefore it affects the Palestinian economy and its social aspects.

Second scenario: Dissolving the Palestinian authority as an alternative to have no political ways in that all institutions should be closed and there will be a negative impact upon the Palestinian economy. The civil institutions replace the Palestinian government. Beneficiaries will have better interests in this institution and other people will be rich ignoring Palestinian rights. Palestinian people will suffer from unemployment and deficit. They will have worse life if compared to current conditions that are only applied on parties.

There is lack of social strategies and development planning. The Palestinian banking sector activities are gradually irradiated to come to an end because of the fact that the risk degrees are very high to the extent that problems can not be sorted out.

Third scenario: This scenario is open enough and the peace process is of a good chance with optimism at
The international level. This is very close to the current facts and consequently there are the following points:

- The Palestinian government announces what it has such as the Palestinian lands.
- Once again the world starts to fund the Palestinian government and the civil institutions to a large scale as a basic financier to the compromise process for a short period of less than 10 years for the Palestinian government to be able to reach a development point.
- The Palestinian government will start to have arrangement with governmental, social, and civil institutions to have the utmost aids benefit to be the basic funding elements.
- There is an increase of bank deposits which might lead to having more available fund when the Palestinian monetary fund intervenes to act as a central bank which specifies monetary policies that controls available fund throughout interest rates and other tools in order to match the costs of the capital with investment returns.
- People believe that consumptive credits will change to have investment or commercial credits under current economic openness.
- The government and the economic institutions start to issue funding tools such as government documents under supervision of the legal act and the Palestinian monetary fund.
- The government can not relinquish the role of the higher education institutions which will lead to the development process under development plan and strategies by making arrangement with civil, private, and governmental institutions.
- Throughout this scenario it is expected to have development process of the Palestinian economy by having updated strategies for providing funding.

**Conclusion and Outcomes**

To answer study questions, one can confirm that there are no funding strategies applied by the Palestinian authority to create funding mechanisms that develop the national economy that has rare and difficult funding at times of unavailable domestic and international resources. This is not helpful for the national economy. This takes place as there is a struggle between civil institutions and the government institutions to get fund and this leads to the necessity of having strategies of funding to solve the funding issues that the Palestinian economy suffers from. This also happens at times when the funding institutions do not provide the Palestinian economy with what it needs in terms of funding for not having suitable strategies, laws, and Palestinian civil, governmental and managerial practices.

Failure of the Palestinian authority to have successful economic policy leads to bad managerial system with corruption resulting in additional and more expenses.

The Palestinian weak economy is the result of individual acts. It is not able to have one national authority that is unified to implement one policy with well-organized steps to monitor agreements for controlling breaches policies.

There is a lack of having funding strategy on the national level in the public and private sectors that suits the economic openness to have free funding processes from cost of finance.

The relations and principles implemented by the Palestinian authority during the war period might lead to activating national and funding strategies that reduce cost of finance and difficulties.

The aids provided to the Palestinian people over the past period either governmental or non governmental institutions had an important role in bridging the funding gap of the general budget and the current consumption.
The success of the funding strategies is related to national investment funding that has costs that suit the investment return in Palestine.

The donors policy failed to have economic development in Palestine because of the fact that there are reasons that are politically motivated without serving the real needs of the Palestinian economy.

The Palestinian economy can not survive without a funding strategy that is dependant on Israel. These conclusions can be overcome unless the government follows the following recommendations:

- It is important to have privatization and rebuilt economic resources in a funding strategy that activates the investment and increases the efficiency and guarantees commercial freedom.
- It is important for the Palestinian authority to prepare a directory of funding strategies to support available funding resources and processes in the Palestinian economy.
- The funding methods must be varied. There should be motives to increase the capital to be able to withstand the Palestinian economy needs within strategies areas that guarantee having funding processes.
- There should be funding laws and control that suit the Palestinian economy nature.
- The Arab and Islamic countries should finance the private sector by allowing exports of Palestinian products to their market and by allowing easy steps to encourage such exports.
- Funding the development projects strengthens the Palestinian economy and particularly funds projects that the international donors hesitate to finance.
- Once again, it is important to build and privatize the Palestinian economic resources in a better way at times of having free economy. It is important to activate investment, and have efficient and productive Palestinian institutions.
- Providing a suitable environment for scientific and technological development. It is important to benefit from the Palestinian human resources that have experience and to, once again, provide employment for those human resources in Palestine.
- Creating a suitable political environment to attract more investors and to benefit from investment and advantages that are available because of the Palestinian membership in the Arab free trade zone.
- Making use of and benefiting from the foreign and Arab countries financial aids of those projects.
- Reconsideration of national and planning strategies without dependence on international and conditional aids that serve the political needs of international donors.
- The Palestinian economy adoption of funding programs that suit the national plan priorities and activate self-finance resources.
- Enabling the Palestinian economy to develop projects suggestions and financial methods update by cooperation and arrangement with public and private sectors institutions. There should be incentives for work and cooperation between those institutions.

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