



THE HEBREW UNIVERSITY OF JERUSALEM
The Leonard Davis Institute for International Relations

U.S. AID TO THE WEST BANK
AND GAZA:
POLICY DILEMMAS

by

Dr. LEOPOLD YEHUDA LAUFER

Policy Studies * 12

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ABSTRACT

During the last ten years (1975-1984), the U.S. government has expended \$75 million in a program of economic and social assistance to the West Bank and Gaza. More than half of this amount was spent on a special program, the goals of which were to maintain and strengthen direct links between the United States and the Palestinian Arab population of the administered territories. This goal and the relative scarcity of development resources for the territories has given the program a special significance quite out of proportion to the relatively small sums allotted.

In the absence of an American country assistance mission, execution of the program has been in the hands of six U.S. private voluntary organizations (PVOs). These organizations have been allowed considerable latitude in selecting and shaping their projects, and in doing so, interpreting the basic policy goals of the U.S. assistance. Some of the agencies have developed a trilateral style of operations involving the particular PVO, local Palestinian partners, and Israel occupation authorities, while others have sought to avoid cooperation or coordination with Israeli authorities. The scope of activities has varied, influenced in part by these differences in outlook of the PVOs. Agencies that have preferred to distance themselves as much as possible from the Israeli authorities have by and large favored the development of cooperatives and of economic projects designed to directly increase the productive capacity of the West Bank and Gaza economy; other agencies have stressed social and human resource development (e.g., upgrading faculties of West Bank universities), as well as production-oriented agricultural projects coordinated with Israeli government agencies.

The Israeli attitude toward the U.S. program has been ambivalent. While they have welcomed U.S. assistance, Israeli authorities have been suspicious of the political goal of a direct U.S.-Palestinian

connection, apprehensive about a program that they cannot fully control. This apprehension has been strengthened by the confrontational tendencies displayed by some of the PVOs. The Israeli response, in light of these factors, has been the imposition of a cumbersome bureaucratic approval and reporting structure, as well as long delays and occasional disapprovals of the proposed projects. Communications with some of the PVOs has been poor and conflicted, although Israeli authorities have refrained from taking strong action against them lest this jeopardize other U.S.-Israeli relationships of greater importance to them.

The mutual frustration between Israeli authorities and some of the PVOs has led to occasional interventions by the U.S. embassy on behalf of the PVOs on the one hand, and to negative Israeli press accounts directed against the PVOs and their U.S. protectors (especially the U.S. consulate general in Jerusalem) on the other. In the absence of either a clear Israeli policy toward the development of the territories or a U.S. government decision of full commitment to the PVOs, the aid program -- although useful on its merits -- has left all the concerned parties dissatisfied to a greater or lesser extent. For the Palestinians it has been too little and perhaps too conciliatory toward the Israeli authorities; for the Israelis it has represented an external intrusion oriented at best toward altering the economic status quo and at worst toward laying the economic foundations of a hostile Palestinian state; and for U.S. policymakers it has continued to represent an inexpensive albeit fragile bridge toward the Palestinians maintained at the cost of irritating Israel but unable -- except for university education -- to produce a major economic impact (with the output in education itself problematical in the absence of meaningful steps to deal with the relative overproduction of academic manpower, especially in the social sciences).

Charges of Israeli manipulation, while not without foundation, have tended to divert attention from an objective assessment of the real achievements as well as objective weaknesses of the program.

Recent statements calling for an improved "quality of life" for the Palestinian Arab population in the territories, together with gradual increases in the amount of funds allotted, suggest stronger U.S. government support for the program.

The new Peres government has reacted positively to the U.S. move. Steps taken to improve the atmosphere and the functioning of the approval process suggest that this program may yet be able to play a more meaningful role acceptable to all the partners. But in order to succeed, U.S. policymakers will have to take a firmer hold of the policy reins, and Israelis must rid themselves of outworn suspicions and paternalism.

FOREWORD

One of the chief problems in policy research involving current international relations is the availability and reliability of data. Archival material as a rule is not readily accessible; media accounts tend to be episodic rather than comprehensive; officials are constrained by regulations or policy considerations; and the processes analyzed are often still in the making and thus subject to constant change. In light of these considerations it behooves the researcher and the reader to exercise due caution in their interpretation and conclusions. At the same time, the policy researcher, because of the freshness of his sources, and of the processes described, can play a role in defining and shaping a still evolving policy -- a privilege by definition denied to the historian.

This study owes much to the cooperation of responsible officials in a number of organizations and institutions involved, including: America-Mideast Education & Training Services (AMIDEAST), American Near East Refugee Aid (ANERA), Cooperative for American Relief Everywhere (CARE), Catholic Relief Services (CRS), Holy Land Christian Mission (HLCM), Save the Children/Community Development Foundation (CDF); U.S. Department of State; U.S. Agency for International Development (AID); and the Office of the Coordinator of Government Operations in Judea-Samaria and the Gaza District - Israel Ministry of Defense and Ministry of Labor and Social Affairs. Officials of these organizations and institutions, despite the sensitivity of the issues and the constraints placed upon them, provided me with information and insights upon which a large part of this study is based. Among all the sources used, those mentioned here were indispensable to the realization of the study. In addition I wish to express my special appreciation to Clayton F. Ruebensaal Jr. and Meir Yaskil of the U.S. Embassy in Tel Aviv, Russell Misheloff and Anne Gooch of the Near

Eastern Bureau of AID/Washington, without whose help, understanding and patience in supplying information and statistical data this study could not have been completed.

However, needless to say, this writer alone bears responsibility for all the material included and the interpretation put upon it. It is hoped that the focus on a hitherto little known aspect of U.S. policy in the Middle East may contribute to the exploration of all bona fide means for bringing peace to the area.

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Jerusalem

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EVOLUTION OF U.S. ASSISTANCE POLICY TOWARDS THE WEST BANK AND GAZA

Except for the limited conflict in Lebanon, the Arab-Israel confrontation has for better than a decade been contained and prevented from spilling over into another general Middle East war. More than that, the Israel-Egypt peace treaty, despite some shortcomings, has laid the basis for further dialogue and the opening up of the peace process with Jordan and other Arab states. U.S. diplomacy has played an important role in these developments, its effectiveness boosted by the infusion of unprecedentedly large amounts of military and economic assistance. The scale and character of this assistance are well-known and have been analyzed elsewhere. (See, for example, Laufer 1983 and Weinbaum 1983). Less well-known is the U.S. attempt, beginning in 1975 (coinciding approximately with the launching of the large-scale assistance program for Egypt and Israel), to smooth the way for American contacts with the Palestinian population of the administered territories of the West Bank and Gaza (held by Israel since the Six-Day War of June 1967)¹ through a small-scale economic assistance program. When the West Bank and Gaza came under Israeli occupation as a result of the Six Day War of June 1967, the official U.S. economic presence was small and in large part indistinguishable from private charitable activities. Jordan on the West Bank and Egypt in Gaza gave low priority to the development of these territories, and the U.S. aid programs with these countries reflected this policy. A survey undertaken by the Israel Economic Planning Authority in December 1967, for example, estimates (p. 23) that only about 10 percent of Jordan's \$46 million development budget for 1966 -- largely funded by U.S. assistance funds -- had been

1) See pp. 4/5

expended on the West Bank.

Except for a strategically important Jerusalem-Dead Sea highway that had been completed earlier, U.S. assistance projects on the West Bank prior to 1967 were confined to small tourism and water projects and food assistance. The latter, made available under the Food-for-Peace grant program (P.L. 480 Title II), benefited several hundred thousand persons in Gaza and on the West Bank on the basis of government-approved lists. The distribution of food assistance and management of related small-scale economic projects (Food-for-Work) were in the hands of American private voluntary organizations (PVOs), notably the Catholic Relief Services (CRS), the Lutheran World Federation (LWF), the Mennonite Central Committee (MCC), the Near East Council of Churches (NECC), and the Cooperative for American Relief Everywhere (CARE). Under an agreement between these agencies and the Israeli government concluded in September 1967, the former agreed to continue their operations while the latter accepted the provisions of contracts that had been worked out with the Jordanian government, including tax and customs privileges and financial participation in certain program and administrative expenses. Similarly, in accordance with Jordanian practice, the Israeli Ministry of Labor and Social Welfare was designated as the supervisory authority over the operations of the PVOs (Elazar 1982, 163).

It is doubtful that the U.S. government decision to continue operations under Israeli occupation and in accordance with previous Jordanian guidelines represented more than an administrative judgment, or at best a tacit desire not to "rock the boat." Under this arrangement, the PVOs continued their food distribution and small project program in cooperation with Israeli authorities. The Jordanian pattern of social welfare-oriented programs was retained, and while contacts between the PVOs and Israeli authorities were few, they were apparently without friction. Similarly, U.S. government involvement through the State Department or the Agency for

International Development (AID) was minimal, so that the PVOs were largely left to their own devices. This pattern of operations continued until the Yom Kippur War.

The post-Yom Kippur War period of 1974-1975 represented a watershed for U.S. policy development in the Middle East. Israel had snatched military victory from temporary defeat on both the Egyptian and Syrian fronts, but only at the price of increased dependence on the United States. Shortly after this war, an activist U.S. policy thrust was launched, stage-managed by Secretary of State Henry Kissinger through his shuttle diplomacy, which sought to wrest an opening toward a political solution of the Arab-Israel conflict. As a sweetener, Israel, Egypt and perhaps also Syria were to be rewarded with greatly increased U.S. assistance. One result of this policy thrust -- in addition to a quantum jump in aid to Egypt and the continuation of already high levels of assistance to Israel -- was the creation of a \$100 million Middle East Special Requirements Fund (MESRF) in the foreign aid package for the fiscal year 1975. The purpose of the fund as defined by Congress was "to meet contingency needs important to efforts by the United States in helping to achieve peace in the Middle East" (House Report No. 93-1471 1974, 25). Kissinger's testimony before the House Foreign Affairs Committee indicates that the administration intended to use a major portion of this fund for Syria. In addition, Congress earmarked \$6 million to be used to cover part of a deficit incurred by the UN Relief and Works Agency (UNRWA), along with an unspecified amount to be allotted to socioeconomic projects on the West Bank and Gaza. In describing the purposes of this particular program, the committee report stated that,

some of the funds authorized for the Special Requirements Fund should be made available to support projects and expand institutions in the occupied territories of the West Bank and Gaza. It is believed that such assistance can help

build the socio-economic underpinnings necessary to preserve peace both for the immediate and long-term futures. In particular, the committee believes that such funds should be used to expand the activities of educational and vocational training institutions in the occupied territories. In the view of the committee, these are the kinds of worthwhile projects the United States can usefully be associated with in the coming years as we hopefully move toward a lasting peace in the Middle East (House Report No. 93-1471 1974, 26).

Several U.S. policy elements in this statement are worth noting. First, the program was conceived as part of the peace-making process in the region: Second, it was to be a discreet new program for the West Bank and Gaza, unrelated to assistance for Israel or the surrounding Arab countries, and not merely an add-on to ongoing food assistance activities. Finally, its emphasis was to be on support of "educational and vocational training institutions in the occupied territories." This was a rather modest formulation of the parameters of the program; in administration testimony before the House Appropriations Committee, a potentially broader scope was indicated:

Some (funds) may be utilized ... for development projects -- for example, in areas presently under occupation which could be involved under the terms of a settlement. The latter projects are likely to be of special urgency as large numbers of Palestinians look to the established regimes -- rather than the revolutionary organizations -- to help them fulfill their aspirations. What is important ... is that the U.S. government be in a position to sustain its lead in moving all parties to this dispute towards a negotiated settlement... (House Report 94-53 1975, 32).

In retrospect, this more ambitious goal has not been realized. Nonetheless, it has remained in the consciousness of U.S. officials involved in the program and seems to have led, over time, to certain subtle changes in the content and public image of the program. The first indication of such change appeared in a Congressional committee statement in connection with the fiscal year 1977 aid legislation that perhaps for the first time placed special emphasis on the direct US-Palestinian character of the assistance:

The Committee believes that the activities and programs of American private voluntary agencies...should continue to be supported and that the bilateral American-Arab character of the program (emphasis added) be maintained. These modest assistance programs...serve long-term American interests and provide a logical and appropriate channel for providing assistance to the Arabs living in the West Bank and Gaza (House Report 95-274 1977, 21).

The following year the program in the West Bank and Gaza was formally removed from the Middle East Special Requirements Fund (an ad hoc arrangement) and placed in the regular security assistance portion of the aid legislation. In the words of the House subcommittee, the program "is now considered to be a continuing requirement for which economic assistance can be planned." The subcommittee went on to express the hope that PVO activities would be increased and that "new development projects (would) be focused specifically on development needs in the West Bank and Gaza during a transition phase in the peace process" (Hearings February/March 1978, XIII).

Noteworthy, in addition to the inclusion of the program in the regular annual aid legislation, is the emphasis on the "development needs" of the territories, which has since become a major theme in the U.S. approach. Secretary of State George P. Shultz and former Undersecretary of State Lawrence S. Eagleburger in more recent days added to this formulation a concern with the "quality of life" in the territories. Eagleburger, in an address in January 1984, expressed the U.S. policy in these terms:

If the acceptance by the Palestinians of the West Bank and Gaza of a peaceful future is to be nurtured, they must be given a stake in the future by greater opportunities for economic development, fairer administrative practices, and greater concern for the quality of their life (quoted in Benvenisti 1984, 1).

Thus, current U.S. assistance policy in the territories may be seen as favoring (a) direct U.S. contacts with the Palestinians through the PVOs; (b) economic development; and (c) improved quality of life. A comparison of these elements with those first enunciated when the program was born reveals similarities as well as significant differences. The direct US-Palestinian link remains a constant theme, albeit with increased emphasis on economic development and the addition of the catch-all "quality of life" element. The latter in particular adds a new dimension that seems to transcend the socio-economic sphere.

In summarizing, it is important to note that the development program whose evolution and political linkages has been described above is only one of three U.S. bilateral assistance efforts on the West Bank and Gaza. The others, of lesser political significance, are the Food-for-Peace program (PL 480, Title II) which, as mentioned

previously, pre-dates the Israeli occupation; and the American Schools and Hospitals Abroad program.

Together these three US-funded programs have constituted an American presence that, though relatively small in monetary terms, has nevertheless been felt and noted.

POLITICS AND COOPERATION IN U.S. ASSISTANCE

Total U.S. contributions to the three above-mentioned programs over the past ten years have amounted to about \$75 million. On a scale of the degree of politicization, it may be said that the socioeconomic development program has been the most politicized and the food distribution program the least politicized, with the schools and hospitals program somewhere in the middle. This appears logical at first glance, considering that socioeconomic development and school assistance touch on clearly recognizable political issues in the territories, whereas food distribution evokes more of a humanitarian image. However, as will be seen shortly, the food distribution program has consistently contained a significant economic development element as well. The fact that this element has been accepted without causing political controversy suggests that the attitude of the particular PVO involved may have some bearing on the matter.

The dimensions and distribution of funds among the three programs can be seen in the following table:

TABLE 1

U.S. GOVERNMENT ASSISTANCE TO THE WEST BANK & GAZA (in \$ millions)

<u>Program /Year</u>	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	Total
Socioeconomic Development (MESRF-ESF)	1.0	1.6	3.4	2.8	6.8	3.0	2.5	6.0	6.5	8.5	42.1
Food-for-Peace PL 480 Title II (\$ equivalent of food)	8.7*	1.8	1.7	1.2	1.8	3.5	3.7	2.7	1.9	2.3	29.3
American Schools and Hospitals Abroad				1.5			0.8			1.0	3.3
Total	9.7	3.4	5.1	4.0	10.1	6.5	7.0	8.7	8.4	11.8	74.7

Source: U.S. Agency for International Development, Washington, D.C., 1984. (compiled from various sources)

* This figure suggests a considerably larger than average food distribution program for the year 1975. No satisfactory explanation for this possibility has been advanced; it may be that the figure given is incorrect.

Food-for-Peace Grants

This is by far the oldest continuing U.S. program on the West Bank and Gaza. In the past, as mentioned previously, it was administered by several U.S. private voluntary organizations, notably the Catholic Relief Services (CRS); the Mennonite Central Committee (MCC); the Lutheran World Federation (LWF); and the Cooperative for American Relief Everywhere (CARE). All of these agencies, except for CRS, have gradually phased out of the program. Nonetheless, its size appears to have been fairly stable over the past ten years, numbering between 130,000 - 160,000 recipients per year until 1983, when the Sinai component of the Gaza program (24,100 recipients in 1983) was transferred to CARE/Egypt. The commodities currently included in the food grant program are flour, rice, oil, wheat soya blend, corn soya milk, bulgur, and non-fat dry milk. In fiscal year 1983 these commodities were distributed as follows:

TABLE II

<u>ACTIVITY</u>	<u>No. of RECIPIENTS</u> <u>FY '83</u>
Maternal and Child Health	35,000
Regular School Feeding	4,600
Preschool Feeding	7,300
Other Child Feeding (Institutions)	10,100
Food-for-Work (Vocational Training and Demonstration Farms)	16,100
General Relief	<u>33,200</u>
Total Recipients	106,300

Source: "AID-Supported Programs in West Bank and Gaza,"

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AID/Washington, Attachment 3, PIO/T No. 298-0150-3-624701,
Sept. 1983, 4.

Table II shows, inter alia, that in fiscal year 1983, nearly a third of the food recipients were welfare cases, while only about 15 percent were participants in development-oriented Food-for-Work programs. These figures, however, must be seen in the context of earlier years, when the social welfare character of the program was much more pronounced. In the period immediately after the Six Day War, for example, almost all of the 120,000 recipients in the Gaza Strip alone were defined as "needy" or "emergency feeding" cases (AID report on CARE, 1967-1968, 3-4). The Israeli government subsequently conducted a census of aid recipients in the occupied territories that eliminated much abuse and duplication. At the same time CARE and CRS, the principal PVOs involved, were encouraged by AID/Washington as well as the Israeli government to place greater emphasis on economic rather than welfare programs. As a result of these dual initiatives, the character of the program changed, and became oriented more towards economic development and vocational training.

CARE put into operation an extensive Food-for-Work program that at one point accounted for a major share of the total CARE effort. This program enabled men and women to participate in vocational training courses, and provided compensation for agricultural workers taking part in demonstration projects designed to introduce new crops or agricultural techniques. The balance of the food went to improving the nutritional status of women and children attending mother and child health clinics, the provision of hot meals at child care institutions, day care centers and elementary schools, and relief of needy persons.

The food program of the Catholic Relief Services has in the past been considerably smaller than the CARE effort, for it did not include the Gaza Strip or any Food-For-Work projects. In fiscal year 1982,

for example, CRS provided food to 51,600 recipients on the West Bank, while CARE had 80,300 recipients (U.S. Embassy Paper 1983-84). As of June 30, 1984, CARE terminated its program, leaving CRS as the only agency responsible for the official U.S. food distribution program. Although CRS has taken over part of the CARE program, the fiscal year 1985 program estimate made available to this researcher called for a 14 percent reduction in the total number of recipients in the West Bank and Gaza.

Most of CRS food distribution in the past was in support of a continuing nutrition and health education project funded by AID from its socioeconomic development program. This project is directed at training mothers and the staffs of private village health centers in nutrition, home first aid, and child development. The promise of supplementary food rations (supplied from the Food-For-Peace program) for pregnant or lactating mothers and their youngest child has served as an incentive and has thus far reportedly drawn more than 20,000 mothers from 111 West Bank villages to attend the six-month training courses. While this project has been carried on outside the Food-For-Work framework, it has clearly furthered socioeconomic development goals as well.

CRS also intends to take over a part of CARE's Food-For-Work program, under which some 4,000 workers are being trained in carpentry, mechanics, lathe operation, sewing and knitting. Thus, while the total number of beneficiaries seems to be declining somewhat with the departure of CARE, the program as such continues to reach some 100,000 persons on the West Bank and Gaza, and provides an incentive for important health and development activities. Accordingly, the program is a significant component of U.S. assistance to the territories, and is likely to remain so.

Another aspect relevant to this inquiry is the role played by the Israel government with regard to the food distribution program. There is every indication that Israel has favored this program in the past,

and continues to do so. According to the terms of U.S. legislation, governments of recipient countries incur obligations for inland transportation, customs clearance and warehousing of the commodities. In this case, the Israel Ministry of Labor and Social Welfare has assumed the obligation, as well as funding other local costs. The Ministry has also made its own contributions to parts of the food program. In 1982, for example, it contributed 480 metric tons of flour, milk and rice, valued at \$200,000, to the CRS food program, with the U.S. government contribution totaling 1,986.8 metric tons, valued at \$1,073,480. (CRS Jerusalem/West Bank Annual Public Summary of Activities 1982, 2).

The Israel government apparently plays a role as well both in Food-For-Work projects and in determining the eligibility of welfare recipients. The latter is based on lists made available by the Israel Ministry of Labor and Social Welfare, which also supervises distribution of the food; Food-For-Work projects are as a rule coordinated with the Ministry of Labor and Social Welfare in the case of vocational training projects, or with local agricultural officers in the case of rural development projects. In 1984, for example, 25 percent of the food recipients in CARE's West Bank program were farmers who had agreed to participate in demonstration projects supervised by officers of Israel's agricultural extension service. The projects included the use of spray insecticides, grafting, improved livestock, herd inoculation, terracing and land reclamation. This program, for reasons not immediately apparent, is not being continued with CARE's departure from the scene. However, CRS is initiating a Food-For-Work program of its own in coordination with the Ministry of Labor and Social Welfare and private charitable organizations on the West Bank. Under the program, some 11,000 workers and dependents will receive food rations while the workers attend various vocational training courses lasting up to ten months.

What is interesting in all the Food-For-Peace activities in the

territories is the apparently successful application of a trilateral pattern of participation involving the Israeli government, American PVOs and local Palestinian organizations.

American Schools and Hospitals Abroad

This grant program has thus far benefitted two West Bank projects located in Bethlehem: the Mount of David Crippled Children's Hospital, and the planned construction of a new building for Bethlehem University.

The new children's orthopedic hospital opened its doors in 1983, and treats an estimated 1,300-1,500 patients a month on an in-patient and out-patient basis. AID made two grants totalling \$2.25 million (44 percent of costs) towards the hospital's construction and purchasing of equipment during fiscal years 1979 through fiscal year 1981, inclusive. According to knowledgeable officials, the hospital enjoys good relations with the Israel Ministry of Labor and Social Affairs, government-supported hospitals in the occupied territories, and Jewish hospitals in Israel. The sponsor of the hospital is the Holy Land Christian Mission International (HLCM), a Kansas City-based organization founded in 1936 that also conducts other charitable and educational activities in the occupied territories and in nine other countries (Holy Land Christian Mission International publication 1984)

Bethlehem University is an institution established in 1973 that enjoys financial and political support from the Vatican and Christian groups in the United States and Western Europe, as well as from Arab sources. The \$1 million grant made available by AID in fiscal year 1984 through the U.S.-based Brothers of the Christian Schools will finance one third of the cost of construction for a multipurpose academic building. The university has 1,200 full-time and 250 part-time students, and has been operating in crowded, partly makeshift quarters. Israeli authorities apparently delayed issuance of a building permit for some time, but were finally persuaded to do

so because the broad-based sponsorship of the project included a number of countries friendly to Israel.

Socioeconomic Development Grants

This program is central to any assessment of U.S. policy toward the West Bank and Gaza, for as shown previously, its origins, rationale and legislative history are closely linked to U.S. policy goals in the area. Because of this fact, the program assumes an importance quite out of proportion to the actual amounts of aid provided. During several fiscal years, the food distribution program actually distributed more in dollar terms. Nonetheless, the political significance of the socioeconomic program has been perceived by all three most directly interested parties - the Palestinians, the Israeli government and the U.S. government.

Knowledgeable Palestinians have come to regard the program as a bellweather of U.S. interest and involvement in the administered territories. Thus the East Jerusalem weekly Al Fajr featured a recent article (March 14, 1984) on the subject under the headline: "U.S. Aid in the West Bank: A Trickle for Development - American Money: Short Carrots Leading to the Promotion of U.S. Policy, or Humanitarian Aid for the Long-Term Improvement of the 'Quality of Life' ..." The late former mayor of Hebron, Fahd Qawasmeh, was even more outspoken when he commented on a visit to Washington, D.C. in 1979: "What we get from America is like giving a dying person aspirin. The West Bank gets only \$3 million from the United States. The Israelis get \$3 billion" (MERIP Reports, No. 83, 7). Elias Freij, the mayor of Bethlehem who is known as a moderate, put it perhaps more elegantly during his visit to Washington in March 1984, when he reportedly urged the administration to provide increased and direct assistance to the West Bank and Gaza without the intermediation of voluntary agencies. (Jerusalem Post, March 30, 1984). The Palestinian position on the program can thus be paraphrased as follows: We need more, and we need

it without strings attached.

The Israeli position, not surprisingly, is quite different. While the government early on endorsed the idea of U.S. economic assistance to the West Bank and Gaza, it also indicated, according to a U.S. General Accounting office report, that Israel preferred to run the program itself (GAO Report July 7, 1978, 17). While this probably remains Israel's preference, Israel has accepted a much more loosely structured arrangement of participation and supervision. Nevertheless, the question of control remains a permanent Israeli concern, from time to time flaring up as a source of friction between the U.S. and Israeli governments and between Israeli officials and the voluntary agencies implementing the program -- as well as with the program's purported beneficiaries, the Palestinians. Symptomatic of this concern for control is an article, appearing in Haaretz on December 1, 1979, that reported on a growing disquietude among a number of high-level government officials at the "escalating" scale of U.S. activities in the territories. According to the article, U.S. activities were sometimes accompanied by anti-Israel propaganda; they also encompassed:

various programs (in) the province of planning, which is supposed to be in the hands of the sovereign power and not in those of private voluntary organizations or foreign consulates ... educational and propaganda activities have been on the upswing. The number of scholarships has increased, the number of American delegates of unknown identity has increased as well ... Tenders have been opened by American organizations for the establishment of a large-scale factory, supported by the springs of Ein Farah, for four villages in the Jerusalem vicinity and for the establishment of a trade center at Halhul ... We are

talking here of welfare and relief activities which are in fact delineating a separate master plan in place of a joint plan with Israel ...

Benjamin Ben Eliezer, a former head of the Israeli Administration in the territories, put Israel's position more bluntly a few years later when he told The New York Times, "No voluntary organization has the autonomy to do whatever it pleases in this part of the world. Here on the West Bank there is law, order and administration. We know exactly who is who, who needs what, and to whom to render assistance" (quoted in Haaretz, April 13, 1984).

This rather hardline Israeli assertion of control can be traced to a combination of circumstances and motives, which might be summarized as (a) security; (b) politics; and (c) economics.

Security - As the occupying power, Israel has a clear and legitimate concern for security. Projects that could either directly undermine security in the territories or pose an indirect threat by helping to create a potential anti-Israel power base are thus clearly suspect. The question, of course, is where legitimate considerations of security end, and oppression begins. The Israeli administration has taken the dubious view that it does not need to justify its actions, and that a decision to reject a project on security grounds requires no further explanation.

Politics - More complicated is the political concern, which holds that U.S. assistance should not be used to prepare, create or strengthen existing or potential centers of Palestinian political power likely to be hostile to Israel. This concern must be seen against the background of Israel's unwillingness -- or inability so far -- to create a pro-Israel force in the territories. Hopes for the emergence of such a force from the municipal elections of 1976 or later on from the framework of village leagues set up with Israeli

support, were both dashed, leaving the Israeli policy makers without an indigenous framework on which to base their occupation policy. The result, insofar as it relates to the U.S. assistance program, has been for Israeli administrators to suspect hostile political motives behind many proposed projects that in other countries would go unquestioned. Israeli administrators seem to be particularly sensitive when it comes to establishment or strengthening of cooperatives; according to one PVO source, only two cooperative projects out of more than a dozen submitted over a two-year period (1982-1984) were approved for implementation. Israeli officials deny any political bias against cooperatives, but are clearly opposed to projects they believe would strengthen their political enemies in the territories. In this regard it is important to note that a number of Palestinians who have been barred from engaging in political activities have reportedly come to look upon the cooperative movement as a potential alternative power base and a way of expressing their Palestinian identity.

In the absence of more clearly defined policy guidelines, the normal tendency of the Israeli bureaucracy has therefore been to err on the side of caution and restrictiveness. Moreover, approval and disapproval of projects has also become a tool in the incessant political maneuvering taking place in the territories. The PVOs, well aware of the political ramifications of their work, have learned to operate and survive within this seemingly byzantine environment.

Economics - The economic concern arises from the fact that the Israeli administration views itself as both the potential authority in the territories and as the entity responsible for all aspects of economic policy, planning, and development activity. The thrust of the Israeli approach is reflected in a recent pamphlet issued by the Israeli administration:

The Israeli administration ... has aimed ... at encouraging solutions to practical problems and making further advances

possible ... The complete opening of the borders between the areas and Israel removed an artificial barrier that had needlessly stymied economic growth and social progress for 19 years. Since then, Israeli policies - including the "Open Bridges" with Jordan - financial aid and expertise have helped stimulate unprecedented economic and social progress in the areas ... (Israel Ministry of Defense November 1983, 1-2).

Following this somewhat paternalistic approach, the Israeli administration asserts its responsibility to assess each proposed activity from the standpoint of economic viability. U.S. officials and thoughtful Palestinians have urged that Palestinians be permitted to make their own mistakes if need be, but with little success.

Another criterion for economic decision-making by the Israeli administration is compatibility with the notion of the territories and Israel as a single economic unit. Thus, project proposals have sometimes apparently been turned down for two totally contrary reasons: either because they could not compete with more efficient Israeli production; or because they were potentially competitive with Israeli production. In both instances, it was thought, the proposals violated the notion of a single economic unit.

Other Israeli economic decisions have been connected to the continuing political struggle. The rejection of a number of project proposals concerned with land reclamation, water development, electrification, manpower training, and industrial development, for example, have been rightly or wrongly attributed to the Israeli desire to keep the territories both in economic subjection and open to Israeli colonization.

The combination of security, political and economic concerns that operate in the approval process presents formidable obstacles to the

execution of a rational and well-integrated program of assistance. Distortions that have taken place in a large part of the program as planned by the PVOs were recently highlighted in a study of three of the five major voluntary organizations responsible for carrying out U.S. government-financed activities in the territories. The study showed, for example, that between 1977-1983, only 35 percent of project proposals in the field of agriculture were approved, (88 percent of approvals involving proposals to upgrade drinking water and sewage treatment). In the area of social and community services, 57 percent of the proposals were approved. The lowest percentage of approvals (23 percent) was in industry, while the highest (100 percent) was in food distribution (Benvenisti 1984, Table 8). Before attempting to interpret this data, however, it is necessary to examine in somewhat greater depth both the role and functions of the American PVOs responsible for the administration of the socioeconomic development program, and the Israeli officialdom involved.

THE ROLE OF THE U.S. PRIVATE VOLUNTARY ORGANIZATIONS

As noted earlier, a number of American-sponsored PVOs were active on the West Bank and in Gaza prior to the Six Day War, largely in welfare activities involving the distribution of U.S. food commodities. When Israel took charge of the administration of the territories, it requested these agencies to continue their work under the same conditions as had prevailed under Jordanian and Egyptian administration (See Chapter by Levine in Elazar 1982). Since 1967, additional voluntary agencies from the United States and other countries have launched programs in the territories. Their focus was initially welfare-oriented, linked many times to local charitable or welfare organizations or agencies. In accordance with the spirit of Jordanian law that still governs much administrative practice on the West Bank, the Israel Ministry of Labor and Social Welfare was granted supervisory responsibility. It appears that as long as the agencies' activities were small-scale and welfare-oriented, supervision and interference by the Israeli authorities was minimal.

Even the new U.S. government initiative by way of the Middle East Special Requirements Fund (MESRF) began in 1975 with a mere \$1 million and, as a consequence, seems at first to have caused barely a ripple. The change occurred only a year or two later with the increased size of the funds available, the entry of additional PVOs upon the scene, and a simultaneous reorientation of program goals on the part of some of the voluntary organizations. It seems apparent that the U.S. initiative was seen by the PVOs as a sign of increased American interest that could lead to increased funding.

Since 1977, six U.S. voluntary organizations have been involved in carrying out U.S. government-financed assistance programs: CARE, the Catholic Relief Services (CRS), the Holy Land Christian Mission (HLCM), Save the Children/ Community Development Foundation (CDF), the America-Mideast Education & Training Services (AMIDEAST), and the

American Near East Refugee Aid (ANERA). The distribution and disbursement of AID funds among these PVOs can be seen from Tables III - VII in this chapter.

Generally speaking, the tables indicate that between 1977 - 1983 over \$33 million were obligated for the economic assistance program, of which over \$26 million (79 percent) were actually expended. CRS and ANERA were the first PVOs to take advantage of the newly available funds in 1975. In monetary terms, however, it is AMIDEAST -- the last of the PVOs to join the program -- which has for some time been receiving the largest allocation of AID funds. At the same time AMIDEAST also appears to have the largest pipeline of unexpended funds - \$2.8 million (28 percent) as of the end of 1983, the pipeline of most of the other agencies being well under 20 percent.

The following brief summary and analysis of the operations of the PVOs shows their use of AID funds, and elucidates some of the differences between them.

CARE

Known for its world wide feeding and relief activities, CARE operated on the West Bank and in Gaza even before the Six Day War continuing its activities after the war in cooperation with the Israeli authorities. The CARE program involved only Food-for-Peace commodities, which were used in part for outright relief to indigent persons and in part as incentive for economic and social development programs. As noted earlier, the latter activities principally involved vocational training, maternal and child health instruction and agricultural development. In all cases the programs were designed and carried out in close collaboration with local government authorities, with the Ministry of Labor and Social Welfare providing central liaison when necessary. The agricultural development activities already described were as a rule also planned in consultation with the local farmers who were the direct beneficiaries.

Perhaps because of this "bottom up" approach, CARE programs were not subject to the Israeli central approval process, and thus experienced none of the difficulties encountered by other PVOs. During fiscal year 1984 alone, more than 8,000 farmers on the West Bank were scheduled to receive CARE food rations in return for participating in demonstration projects supervised by local agricultural extension officers.

Catholic Relief Services (CRS)

TABLE III
(in \$ thousands)

	<u>FY</u>	<u>Obligated</u>	<u>Expended</u>	<u>Unexpended</u>
- Rural Development I	1975	.142	.142	-
	1976	.501	.501	-
- Socioeconomic Dev'tment	1976	.500	.500	-
- Bethlehem University				
Science Wing	1977	1.100	1.100	-
- Nutrition Education	1975	.282	.282	-
	1978	.094	.094	-
- Rural Development II	1979	1.581	1.581	-
	1982	.573	.006	.567
- Health Education	1979	.742	.742	-
	1982	.552	.552	-
	1983	<u>.530</u>	<u>.015</u>	<u>.515</u>
Total *		6.597	5.515	1.082

* Also distributed in addition about \$4.8 million worth of Food-for-Peace commodities.

Source: U.S. Agency for International Development, Washington, D.C., 1984.

Of the six PVOs operating with U.S. government funds, CRS is the only one that uses both PL 480 food commodities and economic support funds. Since CRS has absorbed much of the CARE feeding program, its current fiscal year 1985 feeding program provides for approximately 100,000 recipients at an equivalent cost of about \$2.5 million. Of the recipients, some 75 percent are on the West Bank and 25 percent in the Gaza Strip. CRS uses some of the food commodities in conjunction with village training courses financed from economic support fund appropriations. These courses are designed for teachers and mothers and include nutrition, first aid, child development, and hygiene. Between 1979-1984 some 20,000 women completed these courses, which have been organized in cooperation with the local Union of Charitable Societies, an umbrella organization of 94 local Palestinian groups. The project reportedly covers 111 out of 430 West Bank villages, with 200 additional villages on the waiting list. Unlike the CARE program, the CRS village health education project operates without reference to the government health services. This situation does not seem to have provided an obstacle to its execution -- though one might question the efficiency of the approach.

Since 1975, CRS has also been carrying out a rural development project, that is designed to introduce such essential improvements into village infrastructures, as improved access roads, electrification, water systems, community centers, clinics and schools. The projects, usually small, stress the self help principle and normally require at least a 30 percent participation in the cost by the villagers themselves. They are developed jointly by CRS staff and local communities, after which they are submitted to the Ministry of Labor and Social Welfare for approval. Implementation is monitored by a village committee that also includes representation from CRS, the ministry and the local government administration. As of the end of fiscal year 1983, 67 projects had been completed and 27 were being implemented at a total cost of \$3.3 million. No difficulties (except

occasional delays) were reported in obtaining approval for subprojects by the Israeli authorities, although according to Table V, disbursements slowed considerably in 1982 when the project was extended for two additional years. The previously cited Benvenisti Report lists a 3.5 percent disapproval rate for CRS (Benvenisti 1984, Table II), but CRS officials questioned "didn't know" of any projects that had been disapproved. Questions or problems are handled through a dialogue between CRS staff and the Ministry of Labor and Social Welfare, or during implementation through the implementation committee.

Although CRS prefers to concentrate on small, community-oriented projects, it has also served as a channel for AID support for the construction and furnishing of a new science wing at Bethlehem University. This project was implemented in 1977 with a contribution of \$1.1 million from AID.

Holy Land Christian Mission (HLCM)

TABLE IV
(in \$ thousands)

	<u>FY</u>	<u>Obligated</u>	<u>Expended</u>	<u>Unexpended</u>
Crippled Children's Hospital	1977	.702	.702	-
	1978	.250	.250	-
Preschool Education	1979	.180		
	1981	.044	.224	
			(for years 1979-1981)	
	1982	.215	.188	.027
	1983	.266	-	.266
Total *		1.657	1.364	.293

* Also received \$2.25 million American Schools and Hospitals Abroad grant.

Source: U.S. Agency for International Development, Washington, D.C., 1984.

The smallest of the PVO programs, HLCM has received some \$3.2 million from AID toward the construction and equipping of the Mount David Crippled Children's Hospital in Bethlehem, the equipping of satellite clinics in Nablus and Hebron, the training of medical personnel and the upgrading of hospital services. The 73-bed modern specialized hospital facility primarily serves the population of the occupied territories.

Since 1977, HLCM has also received approximately \$700,000 from AID to provide preschool education, and mother and teacher training in six Palestinian refugee camps. This project covers an area of concern that is reportedly not served by the UN Relief and Works Agency (UNRWA) or other public agencies; it also includes the preparation and publication of a curriculum for preschool education, developed with assistance from U.S. volunteer experts. Some 800 children, mothers and teachers appear to be benefitting from the project at any one time. Although the Israeli authorities are aware of the project, there appears to have been little supervision and no interference on the part of the authorities.

America-Mideast Educational & Training Services (AMIDEAST)

TABLE V
(in \$ thousands)

	<u>FY</u>	<u>Obligated</u>	<u>Expended</u>	<u>Unexpended</u>
Human Resource				
Development	1978	1.084	1.084	-
	1979	.998		
	1980	1.091	3.604	-
			(for years 1979-1981)	
	1981	1.515		
	1982	2.203	2.203	-
	1983	<u>2.990</u>	<u>.163</u>	<u>2.827</u>
Total		9.881	7.054	2.827

Source: U.S. Agency for International Development, Washington, D.C., 1984.

Although the last of the PVOs to join the U.S. government funded program on the West Bank and in Gaza, AMIDEAST's association with the area goes back to 1951, when as the American Friends of the Middle East (AFME), it became active as a pro-Arab lobbying organization. More recently AMIDEAST has concentrated on human resource development, and principally on academic exchange programs under which students and faculty from Arab countries come to the United States for study. AMIDEAST's participation in the AID-funded program for the occupied territories began in 1978 with a \$1 million grant, which by the end of 1983 had tripled in size (see Table III). The initiative for AMIDEAST's participation reportedly came from AID.

The core of AMIDEAST's program is the support of the three major Arab universities in the territories -- Bir Zeit University near

Rammalah, An Najah University in Nablus, and Bethlehem University. The project finances the upgrading of faculty levels by offering scholarships for higher degree study in the United States, as well as providing scholarship assistance to undergraduates at these universities.

As of the end of 1983, a total of 63 faculty members had completed advanced degrees in the United States under this program and had returned to their teaching positions; 125 others were still studying in the United States (AMIDEAST Annual Report 1983, 14). The dropout rate has been estimated at 5-10 percent. The importance of this activity can be gauged from the fact that it appears to cover more than one third of all faculty members at the three universities.

AMIDEAST's undergraduate scholarship program amounted to \$270,000 in 1983 and during that year provided full or partial scholarships to 194 students at the three universities. The institutions have had considerable flexibility both in selecting the scholarship students and determining whether to provide full or partial scholarships. Thus, while this project cannot be expected to have a major impact on a combined student body of some 6,000, it does strengthen the university authorities, by offering them the possibility of channeling scholarship assistance into priority areas. Whether this is in fact being done is not clear. It is also uncertain what proportion of graduates are able to find employment in the territories, though a recent article by Hillel Frisch (Jerusalem Post May 23, 1984) reported on growing numbers of graduates without a corresponding growth in job opportunities.

The last sub-project funded under the AMIDEAST program provides between 15 and 20 short-term vocational or professional training visits annually, primarily to the United States. The recipients are nominated by the Palestinian universities, municipalities, U.S. government sources, or voluntary organizations. After a protest by the Israeli authorities, several employees of government agencies in

the territories have also been included. The professions of the trainees cover a wide range, from mental retardation and library science to mathematics, engineering and food processing.

Shortly after the AMIDEAST project began, it was agreed with AID that an education sector assessment study should be undertaken. Soundings that were taken with Israeli authorities and local educators and institutions encouraged AMIDEAST to proceed with the project. However, when the study was actually undertaken in 1979, a number of difficulties developed that affected both its quality and usefulness. These problems were summarized in an AID evaluation report as follows:

1. In the territories, there is no "host country" in the common usage of the term.
2. Although AMIDEAST had been assured by the Israeli authorities of their willingness to allow survey research to be carried out, in fact the Ministry of Labor and Social Affairs (sic) not only did nothing to assist the survey, but on several occasions impeded the researchers' efforts.
3. The three West Bank universities were unable to participate actively in the sector assessment because they could not spare existing trained faculty members or take time to train undergraduates to work in data collection. Moreover, they were reluctant to involve themselves in a process that would require their asking approval of the Military government.
4. Most disappointingly, the hoped-for cooperation with the Council for Higher Education never materialized. Not only was the Council lacking in effective organization and the ability to address itself to the questions raised in an educational sector assessment ... but it functioned as much as a political forum as an educational planning body ...
5. Finally, AMIDEAST tried to carry out the sector assessment before having established its acceptability among the

individuals and institutions with which it was trying to work ...(AID report on AMIDEAST 1981, 11-12).

The assessment study itself notes, inter alia, that AMIDEAST was informed by a Ministry of Labor and Social Welfare official that "AMIDEAST and its researchers were not to solicit information from any source in the territories: government, private or international." It also concludes that "the most immediate and important observation arising out of the sector assessment is that, indeed, education and most other basic human activities in the West Bank and Gaza are highly politicized." (AMIDEAST Assessment of Education in the West Bank and Gaza Strip July 1979, V and VII).

The tensions and conflicts noted here afflicted not only this particular project, but can be discerned as well in other AMIDEAST activities -- whether in the agency's reluctance to include local government employees in the short-term training program lest this stain the program with a "collaborationist" label; in occasional delays by Israeli authorities in granting exit permits for study in the United States (sometimes reportedly for six to eight months); and in persistent Israeli demands to submit all elements of the program to their scrutiny.

Perhaps more important than the political problems in the long run is the question of whether the AMIDEAST project as now conceived is responsive to the present educational reality in the territories. There seems no indication thus far that AMIDEAST is preparing to deal with the problem of overproduction of graduates (particularly in the arts) from West Bank universities.

Community Development Foundation (CDF)

TABLE VI
(in \$ thousands)

Community Development	FY	<u>Obligated</u>	<u>Expended</u>	<u>Unexpended</u>
	1977	.712	.712	-
	1979	1.200	1.200	-
	1980	.400	.400	-
	1981	.801	.801	-
	1982	2.284	2.284	-
	1983	<u>2.170</u>	<u>.346</u>	<u>1.824</u>
Total		7.567	5.743	1.824

Source: U.S. Agency for International Development, Washington, D.C., 1984.

CDF is the only PVO that simultaneously maintains a program in the territories and in Israel. (The program in Israel is known as "Save the Children.") Its representatives point to the existence of these two programs as proof of CDF's "impartiality," but they are also quick to stress that there is no connection whatsoever between them in terms of funding, personnel, or policy. The purpose of their program in the territories, they emphasize, is to "assist and encourage local community groups in the selection, planning, implementation and evaluation of projects which improve the social and economic conditions of their (emphasis added) communities" (CDF Background Sheet October 20, 1983). Hence it is CDF's relation to the local community and the community's priorities that are the primary determinants for programming decisions of the agency.

Within this general framework, CDF has between 1977 and 1983 carried out a program totaling about \$7.5 million in AID funds,

matched in many cases by up to 50 percent of funds from "other sources." These could be locally raised resources, or contributions from Arab sources outside the territories. CDF does not inquire into the origins of the matching funds, but Israeli authorities reportedly sometimes disapprove or delay project proposals because of the origins of the funds. Nevertheless, the recent Benvenisti study reports a disapproval rate of only 18.4 percent for CDF, most of it in agriculture or water projects (Benvenisti 1984, Table 10). The reasons for disapprovals or delays of particular projects are often difficult to discover, since Israeli authorities, as previously noted, do not feel obliged to provide the reasons or background for their decisions. A case in point is a CDF proposal for the improvement of preschool education, submitted to the Israeli authorities in August 1983. Experts on various sides of the political spectrum seemed agreed on the need for the activity -- yet it took 8 months for approval to be granted.

The CDF program concentrates about 50 percent of its resources on community water, health and sanitation projects, and the bulk of the remaining resources on rural community development, preferably cooperative and self-help projects, including farm-to-market roads, land reclamation, olive seedling distribution, maintenance of terraces, small agricultural or agro-industry enterprises, rural electrification, etc. A small part of the program is also devoted to the advancement of preschool and special education -- areas of development which are greatly underserved at the present time.

Although, as indicated above, most of the CDF project proposals are eventually approved by the Israeli authorities, the organization appears to have opted for a somewhat confrontational style. In its concern for the confidence of the Palestinian population and the integrity of its program, CDF seems to believe that it must limit both its contacts with the Israeli authorities and the information it provides them to the barest minimum. In this connection it was

pointed out to the writer that CDF had not complied with routine reporting requirements of the Israeli authorities. It also appears that in making project or design choices, CDF seems to prefer a refusal or a delay by the authorities to any stance that could be interpreted as "collaboration" or "pacification." This political orientation has undoubtedly had a negative effect on the shape of the CDF program and Israeli attitudes toward it. The question remains an open one, whether by virtue of its style CDF has been able to deliver a more effective program than those of its sister agencies whose style of operations is less confrontational.

In spite of CDF's policy orientation, the Benvenisti report (p. 15) holds that Israeli manipulation of project approvals has forced an emphasis on "consumption-oriented public works projects ... (that) reduce the budgetary burden on the Israeli government." While this may be partly true, it is equally possible that without CDF support, the many small rural infrastructure projects partly financed by it would not have come into being, thus reducing further the development potential of the territories.

American Near East Refugee Aid (ANERA)

TABLE VII
(in \$ thousands)

Development Assistance <u>Unexpended</u>	<u>FY</u>	<u>Obligated</u>	<u>Expended</u>	
	1975	.576	.576	-
	1976	.571	.571	-
	1977	.902	.902	-
	1978	1.259	1.259	-
	1979	2.100	2.100	-
	1980	1.509		
	1981	.140	1.225	.597
			(for years 1980-1982)	
	1982	.173		-
	1983	<u>.544</u>	<u>-</u>	<u>.544</u>
Total		7.774	6.633	1.141

Source: U.S. Agency for International Development, Washington, D.C., 1984.

The most controversial of the U.S. agencies operating with AID support in the territories is ANERA, which was founded in 1968 to provide assistance to "Palestinian refugees and other needy individuals in the Arab world; to contribute to the more rapid achievement of self-sufficiency by supporting economic and social development ..., and to inform the American people about the plight of the Palestinians" (Wynta 1978, 45).

The use of code phrases such as "self-sufficiency" and "plight of

the Palestinians" betrays the basically pro-Palestinian political orientation of the organization, but this was apparently no barrier to its early involvement in the AID-funded program, on the part of either AID, or the Israeli authorities. The first two years of ANERA's activities (1975-1976), involving grants of about \$1 million to some 20 charitable Palestinian organizations and training institutions, appear to have been largely noncontroversial. The activities funded included for the most part the purchase of equipment, vocational training, and institutional improvements, and were apparently administered from ANERA's Washington D.C. headquarters. The turning point seems to have been fiscal year 1977 (beginning on October 1, 1976) which saw the establishment -- at Israeli insistence -- of a Jerusalem office of ANERA, together with a near doubling of its AID funding. With encouragement from AID, the thrust of ANERA's program was redirected towards economic development activities that would more directly boost the productive capacity of the territories. At the same time, ANERA also began to give preference to cooperatives as the most suitable pattern for such development activities. In this respect both CDF and ANERA follow similar lines, but it is worth noting that ANERA seems to have made especially great efforts in support of cooperative development.

The report of a study tour of officials from the U.S. cooperative movement that visited the territories in 1984 concluded that there is a great potential for cooperative development in the territories. This report cited data showing that as of 1983, there were 227 active cooperatives on the West Bank and another 175 awaiting registration by Israeli authorities; during 1982-1983 only 27 applications for registration had been approved ("Palestinian Cooperatives..." 1984, 29-35). There is no doubt that both CDF and ANERA have experienced special difficulties in obtaining Israeli approval for their cooperative project proposals. Israeli officials have denied that they are especially opposed to cooperatives. However, it does not

appear farfetched that -- remembering their own history -- they regard cooperatives not only as instruments of development but also as potential instruments of political action and mobilization. The previously cited study tour report of U.S. cooperative officials lends some unwitting support to this notion in its strongly pro-Palestinian report when it notes that:

Cooperatives are clearly seen as economic instruments for the strengthening of the Palestinian Community ... (they) are viewed as an expression of Palestinian economic self-determination ... Only recently have they become an expression of Palestinian identity ("Palestinian Cooperatives..." 1984,2).

In examining the project proposals submitted by ANERA for approval by the Israeli authorities in fiscal year 1984, it is striking that seven out of ten proposals are for cooperatives. Given the known Israeli reluctance concerning cooperatives, it suggests that ANERA may be more interested in building up a record of refusals, than in embarking on productive development initiatives.

ANERA has also not hesitated to align itself publicly with the Palestinian community in controversies with the Israeli authorities. Thus when Mayor Rashad al Shawa of Gaza resigned in a dispute with Israeli authorities in 1980, ANERA withdrew its support of a \$1.5 million municipal sewage water recycling project until compelled by Israeli counterpressure to continue. Even now ANERA has not yet implemented a companion project for rainwater conservation in Gaza that was approved by Israeli authorities in February 1982. Similarly, ANERA put in abeyance an approved project for a municipal slaughterhouse in the town of Al-Bireh after the Arab mayor had been replaced by an Israeli military officer.

As to the quality of ANERA's operations, an AID evaluation of ANERA's program for 1975-1979 noted that project purposes and analysis were too general to permit an assessment of achievement. It went on to say: "AID/Washington remains critical of the quality of economic analysis in ANERA proposals. At times, more advocacy than analysis creeps into the proposal." At the same time the report also details indications of success in various ANERA projects, praising the fact that "eighty-eight percent of assisted institutions are continuing activity without further contribution from ANERA." On the broader political goals of the program, the report concludes:

The purpose of the AID West Bank Voluntary Agency program was to communicate to Palestinians in concrete ways that it is possible for the U.S. government and people to remain sturdy, reliable allies of Israel and still be genuinely concerned about the welfare of the Palestinian people. On ability to communicate U.S. concern about their welfare to West Bank and Gazan people, ANERA has fulfilled the Congressional purpose ... (AID report on ANERA 1981, 12, 18 and 19).

RETROSPECT AND PROSPECT

The most striking aspect about the U.S. government-funded aid program on the West Bank and Gaza is the large number of interested parties involved, all of whom can influence both the character of the program and the implementation process. Unlike "normal" AID-PVO programs, this is the only one operating in an area under military occupation. As if that were not enough of a complication, it is also a program that spans the crosscurrents of U.S. policy in the Middle East and thus engages the often conflicting goals and interests of various protagonists in the Arab-Israeli conflict.

Happily, the controversies have by and large not touched the Food-for-Peace (PL 480) program, which has accounted for more than a third of total U.S. government assistance to the territories (see Table I). It seems that in this sphere, the goals of the U.S. government, the PVOs, the Israeli authorities and the local Palestinian institutions or organizations have coincided sufficiently to allow coordinated planning and programming. The direct benefits for nutritional and health levels of children and other vulnerable groups have been significant, as has been the economic development stimulated over a number of years by CARE's many Food-for-Work projects. However, precisely because of its noncontroversial character, this part of the program goes largely unrecognized. The Benvenisti report does not even mention CARE as one of the PVOs that has operated in the territories. It also makes no effort to distinguish between welfare and production-oriented uses of food assistance, relegating all food assistance to welfare activities.

It is true of course that only in the economic assistance program are the differing objectives and agendas of the various parties more clearly discernible. We must therefore look to this program and its

management in order to gauge the expectations and outcomes of the total U.S. government aid effort.

The U.S. Dilemma

The hope of "opening a door" to the Palestinians and thus enhancing the peace process under U.S. leadership, -- a hope lying at the core of Congressional and State Department thinking when the economic assistance program was initiated in 1975 -- has been frustrated by conflicting U.S. interests and concerns of the executing agencies. The initial grant of \$1 million out of a total package of \$100 million for Middle East "special requirements" already indicated the relatively low priority of the program in American thinking. When Israeli authorities began to raise questions about the operation two years after its outset, U.S. policymakers realized that they would have to weigh the goals of the West Bank and Gaza program against the larger complex of factors in the overall U.S.-Israeli relationship. The first result of this new perception was an agreement that all the PVOs involved in the AID program would have to have a resident representative, and that all projects required the approval of Israeli authorities.

Without particularly wishing or planning for it, the U.S. embassy in Tel Aviv and the consulate general in Jerusalem were cast in the role of protector of the program and of the PVOs executing it. A division of responsibility also emerged, with the former assuming jurisdiction over the Gaza program (previously administered from the U.S. embassy in Cairo) and the latter over the program on the West Bank. While described by U.S. officials as merely a matter of convenience, this jurisdictional division serves to emphasize and promote the role of the Jerusalem consulate as the U.S. government's representation to the West Bank. However, since the consulate is not accredited to the Israeli government and maintains no official relations with it -- an anomaly of another kind in this tangled web of

fact and fiction -- it cannot deal with the Israeli occupation authorities on matters pertaining to the aid program. Thus the PVOs must rely on the embassy for intervention or liaison with the Israeli authorities while on other matters reporting to the consulate. Inevitably, there are differences of perspective, as one U.S. entity is oriented toward the Palestinian Arabs on the West Bank and the other one toward the state and government of Israel. This difference is reinforced by the special status the State Department has granted to the consulate, which makes it independent of the Tel Aviv embassy.

At the core of the complex situation described above lies the basic dilemma of U.S. policy towards the Arab-Israel conflict -- on the one hand seeking to strengthen U.S. influence with the Palestinians by supporting their aspirations for self-determination, and on the other hand not wishing to go too far in opposition to Israeli positions and beliefs. As a result, U.S. policy management for the AID program has pleased none of the parties concerned.

Palestinian Expectations and Realities

When the aid program was initiated, it may have appeared to Palestinian leaders on the West Bank and Gaza as an important new card in the evolving U.S. thrust to draw Egypt, Jordan, and the Palestinians into a U.S.-managed peace process with Israel. They could find support for this belief in the administration's previously cited testimony to Congress in support of the \$100 million "special requirements" fund, which seemed to imply a fairly large-scale effort.

Palestinian disappointment with the relatively small amounts actually made available -- especially when viewed against the background of multibillion dollar assistance to Israel -- is not hard to understand. "U.S. Aid in the West Bank: A Trickle for Development," is the way a nationalist Palestinian weekly appearing in Jerusalem (Al Fajr March 14, 1983) characterized it, while a similar reaction by a West Bank Palestinian leader (Fahd Qawasmeh) has

been cited earlier in this study.

In the atmosphere of mistrust and suspicion characterizing the situation in the territories, it is not surprising that U.S. motives in launching the program have been questioned. An official U.S. evaluation of the program in 1978 reports that,

When U.S. assistance began in 1975, several (Palestinian) institutions approached by the voluntary agencies were hesitant about participating. This reluctance has reportedly diminished and the voluntary agencies report that Palestinians are becoming more and more receptive to U.S. government efforts on their behalf. Increases in aid through the Middle East Special Requirements Fund, along with actions on the political front, have caused Palestinians to think of the United States in more favorable terms (GAO Report July 7, 1978, 17).

Whatever reservations may still be present -- and it would be naive to presume their total disappearance -- the Palestinian partners of the PVOs seem to have reacted with characteristic pragmatism to the opportunities presented by the U.S. aid program. On the critical question how to relate to the Israeli authorities, they appear to take their cue from whatever PVO controls the funds. More recently there has also been pressure from at least one local Palestinian organization to administer an AID-funded activity without the intermediation of an American PVO. If this were to become a more general pattern, it would undoubtedly represent a significant change in the policy, character and leadership of the program.

Even now, however, the program has a significance for the Palestinians that goes beyond the relatively small amounts of funds made available, being seen by them as a symbol -- albeit a small one

-- of U.S. political interest and economic commitment. Moreover, in the general setting of stagnation that has characterized the economic situation in the territories during the past few years, the availability of even \$6-9 million a year for development purposes assumes some importance. This is all the more true since all the PVO programs except for the scholarships awarded by AMIDEAST require local contributions ranging from 30-50 percent. Thus the total economic activity generated by the program may be almost double the AID input.

The source of these local counterpart funds has sometimes added another element of complexity to an already complicated situation. It is well known that despite Israeli occupation of the West Bank, Jordan continues to exert influence in the area through innumerable links of family, institutions, politics, trade and finance (See, for example, Frisch and Sandler 1984, 66-67). The joint PLO-Jordan Fund set up by the Bagdad Arab summit meeting of 1978 and financed by the oil-producing Arab states has reportedly had as much as \$150 million a year at its disposal to support West Bank economic and social development (Yediot Acharonot Weekly April 30, 1982, 7). Little is known about the criteria, mode of operation, or size of the fund, and estimates of hundreds of millions of dollars are no doubt greatly exaggerated. It is known, however, that in the absence of organizational infrastructure and appraisal capability on the West Bank, the fund has at times furnished the Palestinian counterpart share for AID-financed projects, relying in its decisions on the AID feasibility criteria and the PVOs' reputed managerial capacity for assurance of prospects for success. The intervention and availability of the Jordan-PLO Fund has at times apparently eased the problem of finding counterpart funds for the AID program, but its uncertain operations and Israel's power of veto have diminished its utility. It has also been noted that the local community commitment so important for the success of small community-based development projects is not achieved when the local contribution is in effect another donation

from an outside source.

In sum, the Palestinian attitude and relationship to the AID program reflect all the complexities inherent in this highly sensitive situation. It seems dubious, however, that many Palestinians would share the Benvenisti report characterization of the program (p. 14) as a "pacifier" that serves to actually strengthen Israeli occupation, given the pragmatic orientation of many of those involved in the program and their recognition of the real needs being served by it.

PVOs -- Program Executors or Policymakers?

The basic theory governing the operation of the PVOs within the framework of the U.S. foreign assistance program is that the U.S. government sets the policy and the PVOs carry it out. While this may work well in many countries, it is fraught with difficulties in the Palestinian context, where virtually every technical move also becomes a political decision, and where symbols often count for more than realities and needs.

In assessing the work of the six PVOs involved in the AID program, it is helpful to once again briefly sketch their background and general program goals. Two of them -- ANERA and AMIDEAST -- are solely oriented toward the Middle East and have a long record of support for the Palestinian cause. Two others -- CRS and the Holy Land Christian Mission -- are Catholic organizations with both a broad program base and a special relationship to the "Holy Land," that may reflect Vatican interests in the area. CARE and Save the Children/Community Development Foundation both have a broad program base with worldwide interests and no known special interest in the area.

Perhaps because of the unique political/administrative situation prevailing in territories in which there is no "host country," as well as the great political sensitivity of the program, the official U.S. policy and administrative apparatus has been only minimally involved. The PVOs have thus dealt not only with program execution, but also

with what might be called "policy development." Certainly the thrust of the program appears to be as much the creation of the PVOs as of AID and the State Department.

To the outside observer looking at the composite of the program, the diversity of policy approaches used is surprising. As described earlier, two of the agencies (CARE and CRS) have chosen the path of cooperation with Israeli authorities and have apparently had no difficulties in getting their project proposals approved. Two others (ANERA and, to a smaller extent, CDF) seem to have chosen the path of confrontation and have experienced frequent long delays, as well as refusals of project proposals. Some of these proposals, however, may have been initially put forward in the knowledge that they would be rejected and thus fuel the struggle against the occupation or bolster the standing of the particular PVO with its Palestinian clients. The remaining two agencies (AMIDEAST and HLCM) appear to wish to avoid confrontation, but resent Israeli "interference" and have sometimes taken approaches that have led to friction with the Israeli authorities.

Thus it can hardly be said that there is a uniform and consistent U.S. policy implemented by the PVOs. Instead there appear to be several different policies, and it is not at all clear whether these are the policies of the U.S. government or of the particular PVOs. For instance, is it consonant with U.S. policy interests to continue support for expansion of higher education on the West Bank -- especially in the arts which account for more than half the AMIDEAST scholarships -- in the face of growing academic unemployment? Is the continuing strong preference of ANERA and CDF for cooperative production justifiable in light of the prevailing individualistic economic and cultural patterns of the region, the reportedly unimpressive record of accomplishment of cooperatives in the territories, their reputed politicization going back to the days of Jordanian rule, and Israel's persistent opposition? Is the ambivalent

attitude of some of the PVOs toward the local professional government apparatus in the territories (e.g. in agricultural extension) consistent with the economic development goals of the program? It seems that these and other important questions of policy are ripe for a thorough review -- not by the PVOs but by the U.S. government.

As the program grows in size, the techniques for project development and implementation may also require a review. Specifically, it may be questioned whether preparation of feasibility studies should be an in-house responsibility of the PVO concerned or of a disinterested third party, as required in most AID programs. Similarly it would seem that given the sensitivity and complexity of this program, evaluations might be conducted more than once in three years as seems to be the present pattern, and might be carried out by investigators who have no connection with the program itself. Finally, Food-for-Work projects or a combination involving both economic and food assistance might be strengthened beyond their present limited scope.

The Israeli Quandary -- Another Conflict of Interests

As has been pointed out earlier, Israeli policies toward the AID program have been governed by a variety of economic, security and political considerations. If these have sometimes been ambiguous or contradictory, they reflect the absence of a clear policy toward the Palestinian problem as a whole, and in particular toward the occupied territories. In such circumstances, bureaucracies -- as for instance the Israeli bureaucracy responsible for the West Bank and Gaza -- seek shelter in protecting the status quo, i.e., allowing as little change as possible while at the same time invoking the classic tactic of punishing enemies and rewarding friends. Except for the relatively brief period of 1967-1973 when economic and educational growth was encouraged, this has been the thrust of Israeli occupation policy. However, various extraneous elements have intervened to disturb this

policy thrust, among them the U.S. government and its assistance program.

Israeli officials apparently did not anticipate the course the program would take when it was introduced in 1975, regarding the U.S. initiative as simply another version of the largely noncontroversial Food-for-Peace program. Thus, although they would have preferred to run the program themselves, they welcomed the additional U.S. assistance and during the first few years apparently paid little attention to it. Once they realized the anti-status quo orientation of the program and the pro-Palestinian sympathies of most of the PVOs involved, they set out to try to control it and limit its impact. But this held the potential of conflict with the United States -- Israel's best friend and protector. Was it worth damaging this relationship for the sake of a few million dollars worth of U.S. funds going to the territories?

The existing non-system and cat-and-mouse game that has characterized the relationship of the Israeli authorities to the program and its PVO implementers can be ascribed in large measure to these conflicting interests. As indicated earlier, the Israeli authorities introduced a complicated and cumbersome system for project submission and approval, invoking political and security, as well as economic, criteria. Both because of the diverse and sometimes conflicting goals and perceptions of the PVOs and the Israeli authorities and in the absence of basic trust between them, the information provided by the two sides and communication between them have often been inadequate. Israelis complain that proposed project submissions are too sketchy because of PVO attempts to hide their real purposes, while the PVOs point out that aside from unreasonable delays, refusals have frequently been given without explanation and without attempts to obtain clarification of dubious points.²

When Israeli authorities in January 1984 introduced a new system of implementation reports, most of the PVOs balked, and the U.S. embassy

intervened. Israeli authorities were unhappy about the matter, but in view of U.S. patronage of the agencies, were reluctant to take strong action against non-compliance. ³ From time to time Israeli frustration with the program has spilled over into the daily press, as in a recent Haaretz article by Tsvi Barel (April 13, 1984) that charged PVO-American consulate collaboration in an attempt to "lay the economic and administrative groundwork for the Palestinians, thus sowing the seeds for a Palestinian state." ⁴ True or not, Israeli and U.S. agendas and approaches in the territories have been far from identical, and the U.S. assistance program has come to symbolize in some measure a continuing divergence between the two countries.

The economic stagnation in the territories during the past few years has also served to increase the relative significance of the program. It is one of the few sources of development capital in the territories, equaling, according to the Haaretz article cited above, one quarter of the government's development budget.

However, far greater than the economic weight has been the political significance of the program. Israeli authorities have contributed to it through erratic and sometimes overly restrictive policies that have contributed to the deteriorating image of the Israeli occupation and have sometimes produced minor U.S.-Israeli confrontations. While the significance of these confrontations within the larger framework of U.S.-Israeli relations should not be exaggerated, they do represent an irritant that, according to one U.S. official is caused by Israel's "intrusive involvement" in the program.

Prospects for the Future

A new chapter involving U.S. assistance to the territories opened in 1984, as a result of declarations Secretary of State George P. Shultz and others concerning the need for "improvement in the quality of life," in the territories and the coming to power, late in 1984, of the Peres government in Israel.

The U.S. thrust is now directed towards easing the burden of the Israeli occupation and stimulating economic activity, in this way strengthening moderate elements in the territories. The U.S. assistance program in the territories is regarded as one element that can help promote this concept and the U.S. embassy in Tel Aviv has thus apparently stepped up its support for PVO projects with the Israeli authorities by pressing for more efficient handling of the approval process. Funding available for the economic development program was increased from \$6.5 million in fiscal year 1983, to \$8.5 million in fiscal year 1984, and \$9 million in fiscal year 1985. The programming mode has also been broadened, with grants for the first time going directly both to a Palestinian Arab organization -- the Sun-Day Care Center in Gaza, headed by Gaza physician Dr. Hatam Abu Gazala -- and an independent U.S. institution, the New York-based Institute for Middle East Peace and Development, headed by Prof. Stephen Cohen.

At first, Israeli officials responded to this increased U.S. interest by seeking to coopt it to their goals. In December 1983, for example, the government dispatched Binyamin "Fuad" Ben Eliezer, then the military administration's coordinator for the territories, to Washington, in an attempt to ensure Israeli control over any additional funds, and also reportedly to persuade Secretary Shultz to finance a \$1.5 billion Israel-sponsored refugee resettlement scheme in the territories (Al Fajr, March 14, 1984 and other sources). Nothing seems to have come of these approaches, but Israeli authorities did assure U.S. officials that the project approval process for the AID program would be improved and that answers would be provided in writing within two months - not, as often in the past, only orally.

As part of the Shultz thrust for improving "quality of life," the State Department sent a special mission to review the situation in the territories and to make recommendations on further steps the U.S.

government could take. These recommendations have not surfaced publicly, but there are signs that they favor increasing the pace of economic development and stimulating Palestinian initiative, provided this does not jeopardize Israeli security.

While these explorations were going on, Israeli voters brought a Labor Party-led national government to power under the premiership of Shimon Peres. Indications are that the Peres government is more open to U.S. thinking on the subject than the preceding Begin/Shamir team. In his first official visit to the United States as prime minister, in October 1984, Peres took the opportunity to meet with the Business Group for Middle East Peace and Development, a group of Jewish and Arab American businessmen, to discuss possibilities of accelerating economic development in the territories (see the Jerusalem Post November 9, 1984). At about the same time, Defense Minister Yitzhak Rabin told a Knesset Committee that his ministry had agreed in principle to the establishment of a Palestinian Arab bank in the territories, an issue that had long irritated relations between the Palestinian Arab community and Israel (Jerusalem Post, November 1, 1984). Such signals have surely not been lost to American observers of the situation in the territories.

Both the U.S. and Israeli governments seem to have reached a watershed with respect to economic development in the territories generally, and the character and purposes of the AID program in particular. Both have in the past been prisoners of deeply embedded interests and attitudes. The U.S. government, following a policy of low profile and avoiding as far as possible official involvement, in effect permitted the PVOs to shape its assistance policy in the territories -- a policy that at times ignored economic realities and went further in its identification with Palestinian Arab nationalism than seems to have been the mandate of the program. The Israelis for their part, constrained by economic and political realities and propelled by deep suspicions of the PVOs' motives, chose a policy of

inaction and obstruction that only added to existing tensions.

As partners in the larger effort to bring peace to the region, American and Israeli policymakers have the opportunity to turn a page and enlarge and improve the assistance program in the territories. This could indeed be a meaningful instrument in the peace effort. But in order to succeed, the U.S. government must grasp the policy reins into its own hands, while Israelis must rid themselves of outworn suspicions and paternalism.

NOTES

1. The West Bank and Gaza areas under Israeli occupation are also referred to as "administered territories," "occupied territories," or simply "territories." The Israeli governmental authority is sometimes referred to as the military administration, and more recently, civilian activities have been placed under a "civil administration." In the context of this study, the varying designations are not important and are used interchangeably.
2. Examples cited include a long pending ANERA proposal for an Arab College of Medical Sciences polyclinic in Jerusalem, and a Hebron Agricultural Marketing Cooperative listed as "approved" by the Israeli authorities and "not approved" by ANERA.
3. For example, Israeli authorities said they received Implementation Reports from one PVO in February 1984 and returned them as inadequate in March 1984; by July 1984 they had heard nothing further and had taken no new action.
4. The article stated inter alia: "The (Jerusalem U.S.) Consulate employees sniff out the territory and meet with Palestinian leaders who give them directives; they then instruct the (PVO) bodies' directors as to whom to assist, and how. We have here a joint political maneuver by the Consulate personnel and organization activists."

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