



## Special Focus: CAN BUSINESS RELIEVE THE SUFFERING?

Since the election of Hamas and the withdrawal of donor funding from the Palestinian Authority (PA), the private sector has emerged as a likely recipient of foreign aid. Along with an increase in humanitarian assistance via the UN and NGOs, businesses and financial institutions have been identified as a possible alternative channel to alleviate humanitarian suffering of the Palestinian people.

This Special Focus discusses whether investing in the private sector could or should fill the current humanitarian void.

### Funding the private sector to create jobs and services

In identifying businesses and financial institutions as a possible funding mechanism, a number of donors have expressed confidence in the ability of the private sector to create new jobs to replace those lost by the PA's funding crisis<sup>1</sup>. Several donors are also optimistic that private businesses will bridge the current gap in services previously run by the PA.

However, the capacity of the private sector to replace the PA as a service provider in any meaningful way is extremely limited. Only 12% of schools, 39% of hospitals and 12% of primary health clinics are run privately.<sup>2</sup> Whether or not it is desirable to rely on the private sector as the major service provider also remains questionable. Nevertheless, the prohibitively high cost of accessing private services puts them beyond the means of a population increasingly short of jobs and in need of financial help. And many of those who previously were able to afford private sector services are now resorting to government-run services, adding to the pressure on resources.

Most Gazan workers who lost employment in Israel have failed to find alternative work in the local economy. Gaza's local private sector – which already provides 56% of all jobs – is too small to absorb new workers. And wages, which are already considered to be low, would fall further still with any increase in labour supply.<sup>3</sup>

The average daily wage in the oPt private sector has remained constant since 2000 at around NIS66, compared with the average daily income in the public sector which increased from NIS60 to NIS73 between 2000 and 2005.

### How the PA's financial crisis affects business

The decision to withdraw funding from the PA is bound to affect businesses of all sizes and the private sector is concerned. In 2005, donors committed \$94.5m to the private sector, but the change in funding policy towards the oPt has left foreign investors nervous and the business community to suffer the consequences.<sup>4</sup>

Some donors have already stopped funding to the private sector as well as to the PA following the victory of the Hamas party in the PLC elections in January 2006. For example, USAID's grants to private sector projects have been frozen, including its large Palestinian Agribusiness Partnership Activity (PAPA) worth \$20m and trade promotion ventures worth \$12m.



*Slow Business in Hebron Old City Market | 2006 | photo by Steve Sabella*

Private sector institutions such as banks, PalTrade, Chambers of Commerce and the Palestinian Federation of Industries are vital to a healthy market economy. And yet, some of these organisations also depend on grants from donors and are destined to suffer with the withdrawal of private sector aid.

For example, there is a freeze on a number of existing PalTrade projects which rely on USAID funding, and new PalTrade projects have been delayed, including one funded by the Canadian International Development Agency.

Banks have been put in an almost impossible position in the current political climate. Under pressure from some donors not to transfer funds to the PA, many banks have begun imposing more restrictive borrowing policies on businesses to safeguard against the non-repayment of loans. Fledgling businesses struggle to thrive in such a climate of uncertainty.

Israel's withholding of VAT transfers to the PA, compounded by the reduction in donor transfers to the PA budget will result in a further squeeze on the private sector and a decline in internal tax revenues – the third major component to the PA budget.<sup>5</sup> The loss of salaries

of relatively well-off PA employees and their spending power in their own local economies is already hitting businesses hard.

By pulling the plug on funding for the PA there are well-founded fears of a 'parallel', or unofficial economy springing up to fill the vacuum, with key service providers, such as doctors for example, setting themselves up outside the structure of the current public health system. Such a scenario paves the way for replacing disciplined financial activity with an unregulated black market.

### A private sector already in decline

Even prior to the *intifada*, the private sector was structurally fragile and limited in its capacity as a long-term provider of jobs.<sup>6</sup> Since 2000, the Palestinian economy – and the private sector in particular – experienced a decline comparable to the first year of America's Great Depression 70 years ago.

The private sector reached its lowest point in 2002, but a spirit of optimism followed with signs of a modest recovery.<sup>7</sup> Last year, the World Bank forecast that the upturn in fortune recorded in 2003, would continue. The optimistic outlook was short-lived, however, and the private sector is now expected to decline dramatically with GDP growth predicted to drop by as much as 27%.<sup>8</sup>

### Reasons for the decline

A key factor in the threat to the private sector's recovery is Israel's restrictions on movement and other strict security measures, introduced to stop Palestinian militant attacks.

#### Internal Closures

By 2003, there were more than 700 closures restricting movement within the West Bank. These dropped to 376 by August 2005 before rising again following Israel's disengagement from the Gaza Strip and part of the northern West Bank in September 2005 and the PLC elections in January 2006.

By mid-May 2006, there were 514 physical obstacles in the West Bank which included checkpoints, earthmounds, road gates, barriers and concrete blocks.

However, the number of closures tells only part of the story. The closure system has become steadily more sophisticated with the capacity to channel Palestinian traffic onto smaller, local roads, leaving main routes for Israeli settler traffic. Consequently, it is

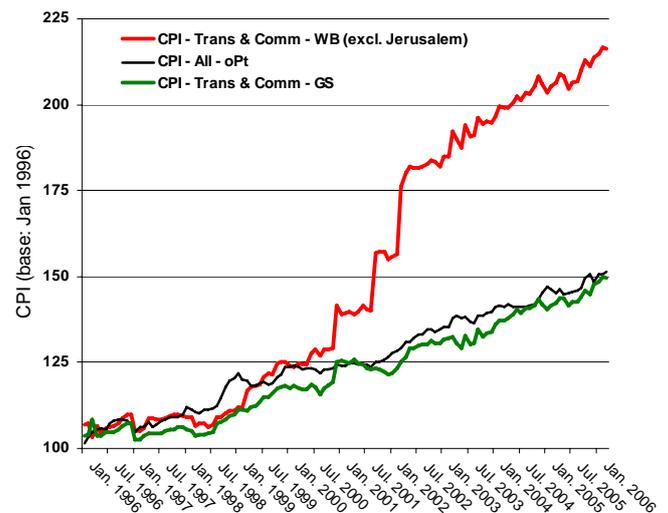
easier for the Israeli authorities to stop free movement from one Palestinian area to another.<sup>9</sup>

Some areas are now almost impossible to access, including the Jordan Valley, the closed areas between the Barrier and the Green Line and the northern West Bank. These isolated areas once played a vital role in the private sector, producing a large proportion of the West Bank's agricultural produce.

Internal closures have not only blocked the access to markets, but raised the cost of doing business. During the first year of the *intifada*, transportation costs for West Bank businesses serving domestic markets increased by 82%.<sup>10</sup> In 2002 the IDF implemented a back-to-back checkpoint at Awarta, south of Nablus, which meant that all goods had to be offloaded from one truck to another before entering and leaving the area. For most traders, this has led to long delays, detours, a prohibitive increase in transaction and transfer costs, and an expensive threat to perishable goods.<sup>11</sup>

The price of transport and communication in the West Bank has increased more sharply than all other goods in the oPt (Figure 2), a factor largely attributed to internal closures since 2000. For Mazen Sinokrot, a major industrialist and trader in the West Bank, distribution costs have increased from 3% to 9%, threatening the competitiveness of his firm's prices.

Figure 2: Consumer Price Index of Transport and Communication in West Bank/Gaza Strip (1996 – 2006)



Source: PCBS



The West Bank Barrier in Ram Village | 2005 | photo by OCHA

### HOW FAMILY LIFE SUFFERS

During the *intifada*, Palestinian workers who were previously employed in Israel began migrating to Ramallah, the primary source of private economic activity in the West Bank. Until recently, approximately 22,000 workers regularly travelled to Ramallah from the northern West Bank. But in December 2005, Israel imposed severe restrictions on movement blocking many Jenin labourers from traveling through the Za'tara checkpoint, leaving them with little choice but to stay in Ramallah for work and away from their families for extended periods.

### External Closures

The closure of the oPt from Israel has had a devastating effect on a private sector that was traditionally dependent on Israeli markets. Palestinian trade from the Gaza Strip, measured by the movement of trucks through the Karni commercial crossing (the only crossing at which Gazan produce is allowed to enter Israel), illustrates the vulnerability of the Palestinian private sector.

The closure of the commercial crossing to exports from the Gaza Strip for 53% of this year has resulted in losses estimated at more than \$9million in agricultural produce alone.<sup>12</sup>

### Curfews and Military Incursions

Curfews and military incursions have been less intense since the end of 2004, but their long-term impact is strongly felt, nevertheless. The World Bank estimated that the productive capital stock, such as agricultural land, infrastructure, and private sector businesses had declined by \$1billion between 1999 and 2002 due a fall in investment and damage resulting from Israeli incursions.<sup>13</sup>

Beit Hanoun, in the northern Gaza Strip, is an example of the havoc wreaked on a once-thriving agricultural area by military incursions. Between 2002 and 2004, the area lost most of its citrus growing land when the IDF launched incursions in response to the firing of homemade rockets by Palestinian militants into the nearby Israeli community of Sderot.<sup>14</sup>

Prior to 2002, 44% of the land was covered with citrus trees, but this was reduced to 17% within two years. It takes at least seven years before citrus trees bear fruit and the long term damage to the Beit Hanoun local economy during that incursion is still being felt.

### The West Bank Barrier

Since 2002, the Barrier has advanced leaving large swathes of fertile agricultural land between the Green Line and the Barrier. Shops and other enterprises located near the Barrier, and once patronised by both Israeli and Palestinian customers, have been forced out of business by its construction. In Nazlat'Isa, 224 shops located near the Green Line were destroyed to allow for the Barrier's construction, while 18 further away remained intact. In 'Anin, 10 out of 67 shops were destroyed and 32 forced to close through lack of business.<sup>15</sup>

The World Bank has put the annual cost of the Barrier as a fall in GNI of between \$300 and \$350million, due to losses in agricultural production and wages no longer being sent home from labourers working without permits in Israel.<sup>16</sup>

### How the private sector adapts to conflict and a new closed economy

Despite adopting a number of strategies to cope with heightened security measures and road closures, the private sector struggles to survive. Many of these survival strategies have involved resorting to unofficial economic activity which is confined to smaller geographical areas. But the economic wealth and employment levels enjoyed prior to the *intifada* are a distant memory.

With growing unemployment and a reduction in spending power, more people are relying on in-kind payments. For example, farmers who used waged labour in the pre-*intifada* period now rely on unpaid, family labour. The proportion of unpaid family workers in the oPt has increased from 11% of all employment in 1999 to 16% in Q3 2005.<sup>17</sup>

Farmers and manufacturers are also turning to traditional barter payments for goods. New-born animals are now being used by farmers as payment in kind, in place of cash, and share-cropping – whereby landowners pay landless families for their labour with a portion of produce – is also becoming more commonplace.<sup>18</sup>

With cash in short supply, traders and producers are relying increasingly on credit to purchase goods. However, many enterprises, particularly smaller businesses, are having their credit lines cut by suppliers, leaving them more vulnerable than ever.

It seems that medium sized businesses – the entrepreneurial middle class of the oPt – in the private sector have been worst hit by the closures over the last five years, with a decrease of 19% in their numbers.<sup>19</sup> However, there appears to be no shortage of people still willing to set up small shops and the proportion of small-sized establishments, out of total establishments, has remained stable..

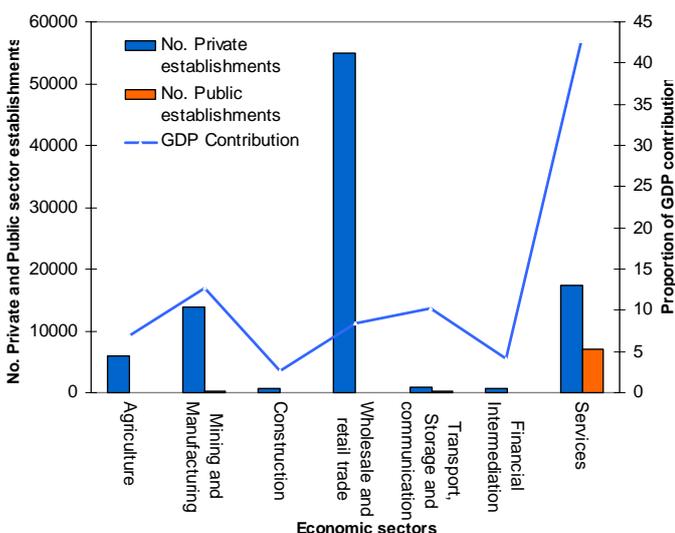
Manufacturing and agricultural establishments have been hardest hit by the closures, showing a decline in the proportion of total number from 30.3% to 23.3% between 1997 and 2005.

A structural change in the composition of the private sector is underway. Employment in manufacturing - traditionally considered the primary source of employment for Palestinians – has decreased significantly while employment in the public sector, agriculture and trade has increased.

Most businesses now engage in trade and yet play a relatively small role in producing wealth. Manufacturing, while consisting of a comparatively small number of establishments, makes a larger contribution to GDP. A private sector increasingly based on trade has limited potential for growth and invests little in the development of infrastructure and productive capacity.<sup>20</sup> Despite their number, shops and other trade establishments contribute just 8% of GDP (\$374m). But, the lack of a real alternative compels people to work in trade, despite minimal profit.

Most of the PA government expenditure in 2005 went on salaries, purchasing goods and other services.<sup>21</sup> Figure 3 illustrates the high contribution of government expenditure to GDP. Palestinian GDP in 2005 is estimated at \$4billion, of which PA expenditure accounts for almost half, ie \$2billion.<sup>22</sup>

**Figure 3: Number of Private and Public sector establishments by economic activity according to GDP contribution**



Source: PCBS Establishments Survey and National Accounts data (2005)

Despite the rise in petty trade and agriculture (the number of workers in these two industries has increased by approximately 56,000 since the end of 1999) and the demise of manufacturing and employment in Israel, the proportion of paid workers and employers in the labour force has declined and the number of self-employed and unpaid family labour has risen.

## Conclusion

Donor funding to the private sector remains vital for the support of sustainable development. In the new political climate, the private sector risks becoming a casualty of revised donor policies in the oPt - via a cut in donor projects as well as reduced foreign investment.

While donors may be considering the private sector as an alternative funding channel to the PA to create jobs and provide services, it is clear this approach is not without risk. Internal and external closures that have damaged the private sector so fundamentally since 2000 are still in place and the stable environment necessary for businesses to operate and flourish is distinctly lacking.<sup>23</sup> Against this background, overseas investors can have little or no confidence in the future. As experience elsewhere has shown, a private sector cannot develop its potential in the context of a failing state.

## II. Of note this month

**Restrictions on humanitarian access throughout the oPt.** International humanitarian organisations and the Palestinian Red Crescent Society (PRCS) have reported increased access incidents in the form of delays and denials of access at IDF checkpoints throughout the oPt in April 2006. International humanitarian organisations have reported increased access incidents for the fourth month in a row (92 access incidents were reported in April). This has been the result of more restrictive identification and movement requirements at checkpoints, the requirement of multiple identification documents, and on occasion the full application of general closure restrictions without any exception for UN staff. In the West Bank the intensification of access restrictions have been particularly acute in the northern West Bank where there has been a noticeable tightening of internal closures over the last few months. In April PRCS reported three denials of access and 17 delays in access at IDF checkpoints in Jenin and Nablus governorates the majority of which occurred at checkpoints around Nablus city including 'Asira ash Shamaliya (along the only access route to Nablus from Jenin and Tubas governorates following the closure again of the Al Badhan road), Beit Iba and Huwwara checkpoints. In the Gaza Strip, since early 2006 national UN personnel have not been able to move through Erez crossing in a vehicle as previously done which has resulted in national personnel being unable to cross through Erez for the past four months.

**Comprehensive external closure of the oPt remains in place.** Since 12 March there has been a comprehensive external closure of the oPt. No Palestinian workers from the Gaza Strip and West Bank with valid permits have been able to access their places of employment or markets inside Israel. The closure of all crossing points originally coincided with the Jewish holiday of Purim but has remained in place ever since. Prior to this closure, approximately 7,218 workers and 7,671 traders had valid permits in the West Bank and 4,979 workers and 510 traders in the Gaza Strip.<sup>24</sup>

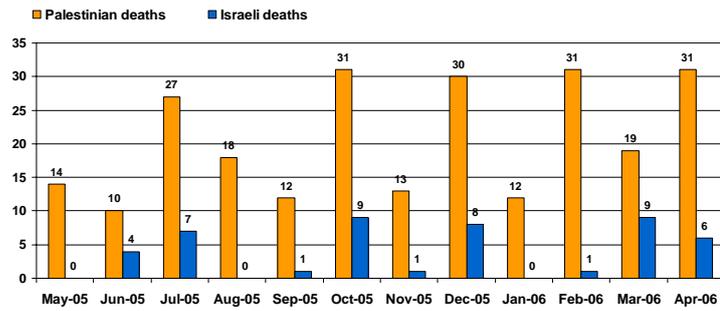
**Revision of Barrier route.** The Israeli Cabinet took a decision on 30 April to revise the route of the Barrier in the West Bank. The revision comprises of nine major changes to the route of the Barrier and based on OCHA's initial projections will increase the overall length of

the Barrier from 670 to an estimated 700km. Some of the changes to the Barrier's route include: (1) Around the Ariel group of settlements in the north the revised route will divide the original 'finger' around the settlements in two and will allow east west access between the villages of Dei Istiya and Qarawat Bani Hassan. The revised route of the Barrier in this area will sever direct links between villages in Qalqiliya, most markedly dividing Isla and Azzum from Kfar Thulth. The villages of Ras at Tira, Wadi ar Rasha and Ad Dab'a will be situated east of the Barrier; (2) Around Jerusalem, the revision will separate Beit Iksa from Jerusalem and incorporate it into the Biddu

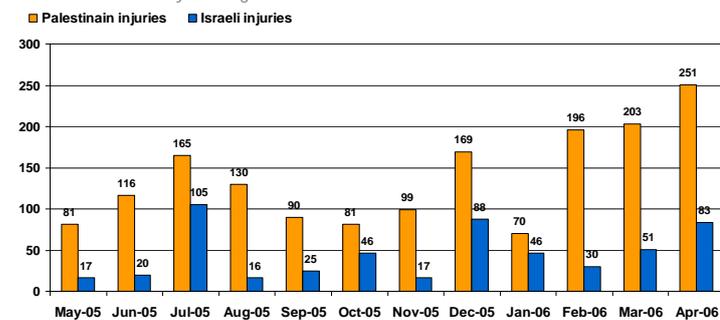
enclave. As a result the village will be completely surrounded by the Barrier and there will now be no Palestinian communities west of the Barrier in this area; (3) Around the Gush Etzion group of settlements south of Jerusalem – Al Jab'a village will now be inside the closed areas (between the Barrier and Green Line) and will be connected to Surif village to the south; and (4) Around the Israeli settlement of Eshkolot in southern Hebron the revised route will exclude a quarry managed by the settlement council. OCHA will publish in June 2006 a comprehensive analysis of the revised Barrier route as part of our Barrier projection series.

### III. Monitoring Issues<sup>25</sup>

#### Casualties: Palestinian and Israeli Deaths



Source: OCHA Weekly Briefing Notes



Source: OCHA Weekly Briefing Notes

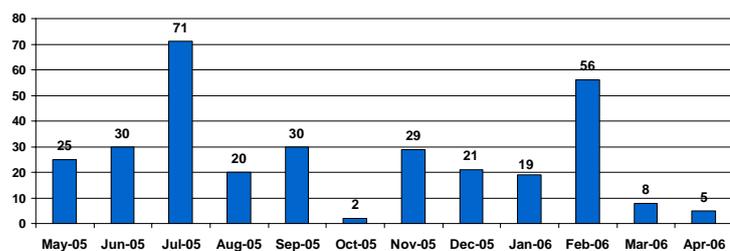
#### Casualties

Overall Palestinian and Israeli casualty figures again rose in April 2006. Thirty-one Palestinians were killed and 251 were injured throughout the Gaza Strip and West Bank. Five of the Palestinian deaths were children – a five-year-old boy, an eight-year-old girl and a 15-year-old boy were killed in the Gaza Strip during an IAF missile strike (targeted killing) and IDF artillery shelling in the northern areas. Three Palestinian boys (aged 14, 15 and 17 years old) died from injuries they sustained during an IDF search and arrest campaigns in Jenin, Ramallah and Nablus. Palestinian injuries are the highest reported in a 12 month period – 59 of the injuries, including 17 children, occurred during IDF artillery shelling in the northern Gaza Strip.

Six Israelis and three internationals were killed (including four women) and approximately 60 Israelis injured during a Palestinian suicide bombing in Tel Aviv on 17 April. A total of 82 Israelis were injured during April 2006.

Five internationals including a reporter were injured in the West Bank – four of the injuries occurred in the H2 area of Hebron city caused by Israeli settlers.

#### Structures Demolished



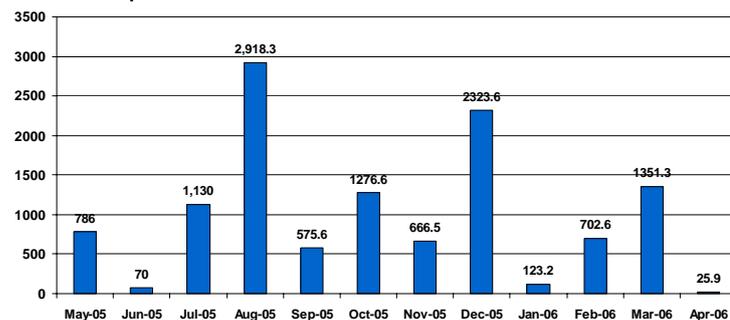
Source: OCHA Weekly Briefing Notes

#### Structures demolished

In March, five Palestinian structures in the Gaza Strip and the West Bank were demolished and a further 10 were partially damaged. The majority of these demolitions and structure damaged occurred in the Gaza Strip during IDF artillery shelling and IAF missile strikes, particularly in the northern areas. Of note, IAF missiles targeted a stadium and the PA security compound in Gaza City causing damage to infrastructure.

The IDF also occupied a number of houses in the West Bank (Nablus, Jenin and Hebron) during search and arrest campaigns and near religious sites during the Jewish holiday of Pessach and used them as observation posts.

#### Land Requisition Orders (in dunums)



Source: OCHA Weekly Briefing Notes

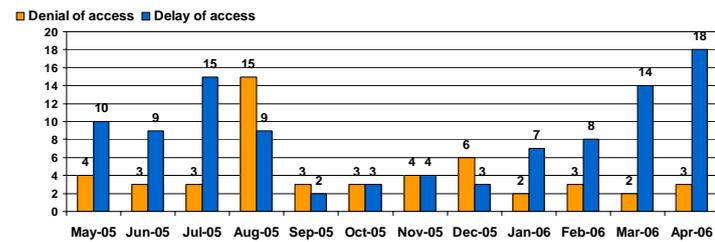
#### Land requisitions/levelling

The IDF requisitioned at least 26 dunums (2.6 hectares) of Palestinian West Bank land in April 2006. The land was requisitioned in Hebron governorate for the creation of a buffer zone around a settlement and for new military observation posts. The amount of land requisitioned is the lowest in the last 12 months as no large requisition orders were recorded for the construction of the Barrier as in many previous months.

Land levelling continued in for the construction of the Barrier, the expansion of existing and the establishment of new IDF infrastructure (checkpoints and road barriers) and around Israeli settlements (fences and buffer zones), particularly in the southern West Bank. In

the Gaza Strip, IDF tanks and bulldozers entered the Gaza Strip in two separate incidents to level land along the border fence.

## Ambulance Incidents

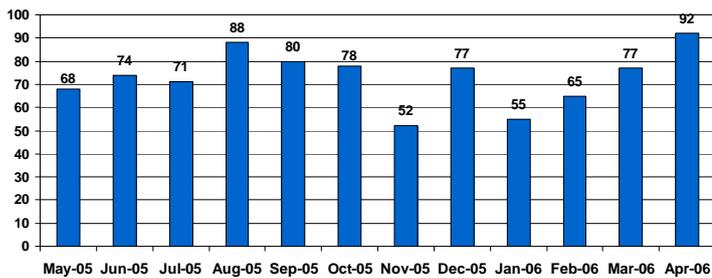


Source: PRCS

## Ambulance incidents<sup>26</sup>

Three denials and 18 delays of access (in excess of 30 minutes) were reported by the Palestinian Red Crescent Society (PRCS) in the West Bank. The majority of denials and delays of access occurred in Nablus governorate including 'Asira ash Shamaliya (along the only access route to Nablus from Jenin and Tubas governorates following the closure again of the Al Badhan road), Beita and Huwvara checkpoints around Nablus city and Zaatara checkpoint controlling interregional movement. The number of incidents continues the trend of increased access incidents reported by PRCS since September 2005.

## Humanitarian Access



Source: Access and Closure Information System (ACIS) and UNRWA monthly reports

## Humanitarian access<sup>27</sup>

In April 2006, international humanitarian organisations reported 92 access incidents throughout the West Bank. UNRWA filed 88 of the reports in which the delivery of aid and/or the movement of personnel were obstructed by the IDF or Israeli Border Police at fixed or mobile checkpoints and at gates in the Barrier. UNRWA cites that the increase in access incidents for the fourth month in a row is due to the extended closure imposed on the West Bank, especially around Jerusalem.

Since 23 February, UN national staff members have not been able to cross Erez following a change.

## Access for water transporters / tankers<sup>28</sup>

IDF closure measures and the Barrier in the West Bank continue to have a severe effect on water transport; closures can result in the inability of water tankers to reach their destination. According to a Water and Sanitation, Hygiene Monitoring Program (WaSH MP) survey in 2005, 200 Palestinian communities are not connected to water networks and in 11 other communities over half of the households are not connected to a network. In first two weeks of May 2006, the WaSH MP reported delays in access for water tankers to four West Bank communities as a result of IDF fixed checkpoints (out of 35 communities surveyed).

## Access for Palestinian workers and traders from the Gaza Strip<sup>29</sup>

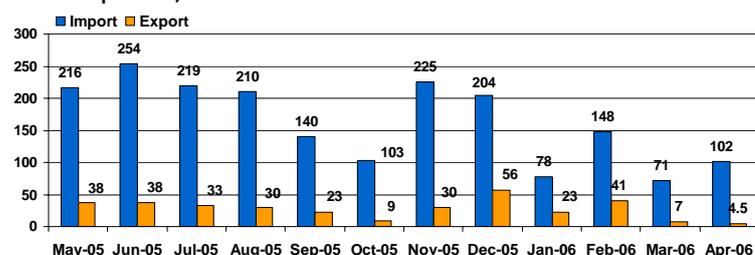
Erez crossing is the only access point for Gazan workers and traders with valid permits to enter Israel. Erez crossing has been closed since 12 March for all worker and traders. The crossing's closure coincided with the Jewish Purim holiday but has remained in place since that time (over six weeks). The closure of Erez crossing has been part of a comprehensive closure of the oPt including workers and traders from the West Bank. As of 30 April, Erez crossing has been closed 68% of the year.<sup>30</sup>

## Erez Crossing: average daily labour movement

	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06
Workers to Israel	2,067	3,588	1,767	281	137	0	1,200	1,502	707	3,698	1,161	0
Traders to Israel	103	362	175	168	120	0	104	73	42	155	56	0

Source: Palestinian National Security Forces

## Karni Crossing: average daily truckloads (imports and exports)



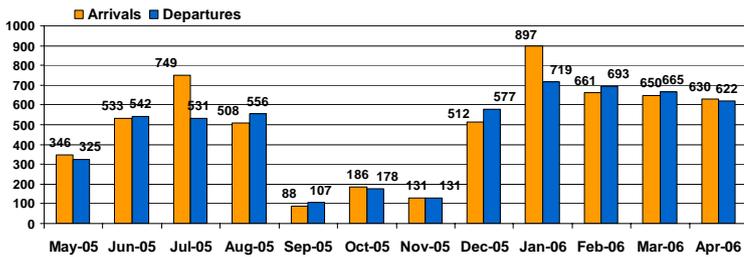
Source: Palestinian Ministry of National Economy

## Access for Gazan trade movement through Karni crossing<sup>31</sup>

Karni crossing - the principle point for transporting goods to / from the Gaza Strip - was closed for 11 days during April 2006. As of 30 April, Karni crossing has been closed 53% of the year.<sup>32</sup>

The average daily number of truckloads of imported goods rose in April 2006 compared to the previous month but imports are only covering immediate needs and have not significantly altered stock levels.<sup>33</sup> Humanitarian agencies are also facing difficulties in getting their relief supplies into the Gaza Strip. For example, difficulties in processing goods through Karni have led WFP to import some of its wheat supplies through Kerem Shalom crossing. The average volume of exported goods in April was the lowest so far in 2006. The frequent closure of Karni crossing in 2006 has largely paralysed the Gaza export market. For more information on the closure of Karni and its associated economic and humanitarian

### Rafah Passenger Crossing: average daily arrivals and departures



Source: Palestinian Passport and Border Police

impacts see OCHA's *Gaza Strip Situation Report 26 April 2006* and *Gaza Access Report April 2006* ([www.ochaopt.org](http://www.ochaopt.org)).

#### Palestinians' access internationally from the Gaza Strip

Rafah passenger crossing on the Egyptian border is the access point for Gazans travelling overseas. Since 18 December, Rafah has operated daily from 8am to 4pm. The opening times have been further extended in March from 8am to 7pm. The average daily number of people crossing in April is comparable to the previous month and remains higher than prior to the November 2005 Access and Movement Agreement (AMA).

#### Access for Gaza fisher folk<sup>34</sup>

Since January 2005, the Israeli authorities have restricted Palestinian fishing up to ten nautical miles from the Gaza Strip coastline compared to six nautical miles previously (under the Oslo Accords, Gaza Strip fisherman are entitled to fish 20 nautical miles from the coast). Palestinian fishing is prohibited one nautical mile north of the border with Egypt and one and half nautical miles south of the border with Israel.

## IV. New humanitarian reports

**UN Humanitarian Assessment – assessment of the future humanitarian risks in the oPt.** United Nations agencies operating in the oPt released a paper examining the humanitarian risks in the West Bank and Gaza Strip in the coming months and warning of an extremely bleak humanitarian situation for the Palestinian people. The paper warns that a serious intensification in the humanitarian situation is now possible following the victory of the Hamas party in the PLC elections held in January 2006. Since this time the Government of Israel has stopped handing over to the PA VAT and customs taxes and Western donors have signalled their intention to review their funding support to the PA. Unless the shortfall in the PA's budget is made up in some other way, 152,000 PA employees are at risk of not being paid (March and April salaries have already not being paid) and PA services further disrupted. PA's salaries support an estimated 25% of the population while, for example, the PA operates 62% of primary health clinics, all major general hospitals bar one and 75% of primary and secondary schools. The paper analyses future humanitarian risks according to three scenarios - maintenance of the status quo, partial and no funding to the PA's budget and services. See [<http://www.ochaopt.org>].

**World Bank West Bank and Gaza Update.** The World Bank released their first quarterly update for 2006 in April which includes an analysis of the situation following the victory of the Hamas party in the PLC elections. The World Bank models four different scenarios for the period of 2006-8 and discusses the economic impact of suspension of VAT and customs taxes, reduced aid flows, restricting trade across borders and restricting or terminating labour flows to Israel. The worst-case scenario of the World Bank predicts real GDP growth to fall by 24.5%, unemployment to rise to 44.3% and the poverty rate to climb to 67% in 2006. The Update also looks at land administration in the West Bank and Gaza Strip, the role and performance of Palestinian NGOs in health, education and agriculture sectors and recent economic developments (analysing imports/exports, employment rates, banking sectors and fiscal data over time including input from the IMF). See [<http://www.worldbank.org/ps>].

**International NGOs – Gaza Humanitarian Situation Six Months After Redeployment.** International NGOs have released a report expressing their deep concern over the rapidly deteriorating humanitarian situation in the Gaza Strip six months after the Israeli 'Disengagement' from the Gaza Strip in September 2005. The report highlights that the situation has deteriorated due to three key factors including the continued and increase closure of border crossings and restrictions on movement "which have decimated the economy and seriously depleted stocks of essential goods in Gaza". See [<http://www.aida-jer.org/>]

**Palestinian National MDG Steering Committee 2005 Progress Report on Millennium Development Goals.** The MDG Steering Committee led by Palestinian Ministry of Planning, Palestinian Central Bureau of Statistics (PCBS) and UNDP observed that human development outcomes have been regressing since 2000 and the greatest development challenge continues to remain the crisis of poverty and unemployment. The conclusion of the progress report in relation to Goal 1 and the eradication of extreme poverty and hunger by 2015 was that it was highly unlikely given persisting high poverty rates and the rise in the number of 'new poor'.

**Perinatal and Infant Mortality in Palestine.** The Health, Development, Information and Policy Institute (HDIP) together with the John Hopkins Bloomberg School of Public Health (JHU) presented the findings of their study on perinatal (including stillbirths and early neonatal deaths) and infant mortality in Palestine. The study found that perinatal, neonatal and infant mortality rates were respectively 21, 15 and 20 per 1000 live births in the oPt. The rates were higher in the Gaza Strip than in the West Bank. The study tried to determine the causes of these deaths including access to preventative and curative health care and the constraints faced by woman in seeking appropriate health care.

**PCBS reports and press releases.** During April 2006, the PCBS released a number of statistical reports relating to the humanitarian and socio-economic situation in the oPt:

- **Main Findings of the Survey on the Perception of Owners/Managers of Industrial Establishments Towards the Economic Conditions (March 2006):** Levels of optimism declined in March 2006 compared to January 2005. The percentage of owners who are expecting improvement in the situation declined by 45.8% during this period. Managers who are expecting higher volumes of sales declined by 63.6%. The survey also found significant decline in owners and managers expectations between February and March 2006. Owners and managers expectations declined more in the West Bank than the Gaza Strip over this period.

- **Hotel Survey (2005):** The number of guests in hotels operating in the oPt rose in 2005 to 131,908 compared to 100,184 in 2004 according to PCBS annual hotel survey. 49% of all guests were in East Jerusalem hotels.
- **Palestinian Consumer Price Index (March 2006):** The Consumer Price Index increased by 0.55% in March 2006. The price of food has increased by 1.31% according to the survey

For more information on all reports and press releases see [<http://www.pcbs.gov.ps>].

<sup>1</sup> In September 2005, the Ministry of National Economy in cooperation with the Ministry of Planning developed an economic development strategy that has been circulated among donors, including the World Bank.

<sup>2</sup> Statistics on Education in Palestine (Ministry of Education, 2005-2006); Health Care Providers and Beneficiaries Survey, (PCBS 2005).

<sup>3</sup> OCHA forthcoming report, June 2006.

<sup>4</sup> In response to this, the private sector launched an 'Initiative by the Private Sector for the Sake of Palestine', calling on donors to continue funding to the PA (April 2006, Ramallah).

<sup>5</sup> UN Humanitarian Assessment, April 11 2006.

<sup>6</sup> In 1999, the public sector provided 59% of new jobs while the private sector provided 41% of new jobs in the Palestinian economy. The services sector had the greatest capacity to absorb labour while manufacturing and agriculture had the most limited capacity (Determinants of Labour Absorptive Capacity in the West Bank and Gaza Strip, B Makhool, MAS, July 2001). The weakness in the local private sector is largely due to the high dependence of Palestinians on Israeli wage labour since Israeli occupation in 1967 (Economic Fragmentation and Adaptation in the Rural West Bank, UNSCO 2005, p. 60-61).

<sup>7</sup> The economic improvement observed between 2003-5 by the World Bank was attributed to Israel's resumption of transfers and the dampening of conflict (World Bank, *The Palestinian Economy and the prospects for its recovery, Economic Monitoring Report to the Ad Hoc Liaison Committee, No 1*, December 2005.

<sup>8</sup> World Bank. 15 March 2006.

<sup>9</sup> OCHA, *Closure Count and Analysis*, August 2005

<sup>10</sup> World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic crisis – An Assessment*, March 2002, p. 5

<sup>11</sup> OCHA report, *Cost of Conflict: Nablus after Five Years of Conflict*, December 2005

<sup>12</sup> OCHA, Gaza Access report, April 2006.

<sup>13</sup> In the first year of the *intifada* alone (2001), the damages were estimated at USD 305 million, concentrated mostly in agriculture, rising to USD 930 million (or 1.7 billion, including wear and tear on infrastructure and equipment) by the end of 2002. World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic crisis – An Assessment*, March 2002; *Twenty-seven Months – Intifada, Closures and Palestinian Economic Crisis, An Assessment*, May 2003.

<sup>14</sup> Beit Hanoun: Northeast Gaza Strip, Satellite Image analysis of Vegetation loss 2001-2004/August 2005, UN-OCHA

<sup>15</sup> UNSCO, *Economic Fragmentation and Adaptation in the Rural West Bank*, 2005.

<sup>16</sup> World Bank, *Stagnation or Revival, Israeli Disengagement and Palestinian Economic Prospects*, 2004, p. 36

<sup>17</sup> PCBS Labour Force Surveys.

<sup>18</sup> UNSCO, *Economic Fragmentation and Adaptation in the rural West Bank*, 2005.

<sup>19</sup> PCBS Establishments data. The large-sized have increased by 22%. It may be that the large establishments are in the best position to stave off the ill-effects of closure.

<sup>20</sup> By productive capacity, we mean the ability of the economy to grow based on productive activities such as manufacturing and agriculture as opposed to an economy based on buying and selling as is the case through activities in trade and services.

<sup>21</sup> The graph excludes PA net lending, VAT refunds, and transfer payment from the total government expenditure in 2005.

<sup>22</sup> World Bank, *West Bank and Gaza Update*, April 2006.

<sup>23</sup> The PA's Medium-Term Development Plan identifies creating an enabling environment for private sector growth in the oPt as one of five main priority areas. For more analysis on the PA's approach to the private sector, see UNCTAD, *The Palestinian war-torn economy: aid, development and state formation* (2006).

<sup>24</sup> Permit data is reported in OCHA Weekly Briefing Notes.

<sup>25</sup> OCHA monitors a number of indicators related to the protection of civilians in our Weekly Briefing Notes. OCHA is also tasked with monitoring the specific commitments given by the Government of Israel (GoI) to Ms Caroline Bertini in August 2002 in her capacity as Personal Humanitarian Envoy of the UN Secretary-General. Ms Bertini's mission was in response to the deteriorating humanitarian situation and was to assess the nature and scale of the humanitarian needs and to clarify the respective responsibilities of those actors involved. The GoI made and/or confirmed a number of humanitarian commitments to Ms Bertini during her mission. Since this time OCHA has produced monthly reports monitoring the GoI's actions in relation these commitments. The monitoring of the Bertini Commitments is now included in the Monitoring Section of the Humanitarian Update.

<sup>26</sup> GoI Bertini Commitment (2002): (1) Palestinian ambulances will wait no more than 30 minutes at any checkpoints; and (2) Effective mechanisms will be put in place to ensure that Palestinians seeking critical medical services (child delivery, dialysis, chemotherapy etc) can quickly pass all checkpoints.

<sup>27</sup> GoI Bertini Commitment (2002) - Facilitation of International Organisations: (1) Israel will fully facilitate the assistance activities of international organisations with particular reference to UNRWA; (2) Israel agrees to review and strengthen the liaison arrangements between international agencies and the IDF to facilitate assistance activities; and (3) Israel will improve the situation at checkpoints, including the deployment of more experienced IDF personnel.

<sup>28</sup> GoI Bertini Commitment (2002): Problems related to water deliveries to Palestinian towns and villages will be addressed to ensure that daily water deliveries in proper quantities can be supplied by Palestinian water tankers.

<sup>29</sup> GoI Bertini Commitment (2002) (confirmed during the Bertini mission): Increase in the number of work permits for Palestinian workers in Israel from the Gaza Strip.

<sup>30</sup> Fridays and Saturdays are counted as a closure day when they are part of a comprehensive closure period i.e. since 12 March.

<sup>31</sup> GoI (2002) (confirmed during the Bertini mission): Increase in the shipments at Karni crossing in the Gaza Strip.

<sup>32</sup> This does not include partial closure days, such as days with limited opening hours and/or days in which the crossing was open only in one direction i.e. only for imported goods.

<sup>33</sup> The average daily number of truckloads of import/exported goods through Karni crossing is calculated excluding Saturdays.

<sup>34</sup> GoI Bertini Commitment (2002) (confirmed during the Bertini mission): The fishing zone for Palestinian fishing boats of the Gaza Strip will be extended to 12 nautical miles.