

# 8. ECONOMY

## 8.1 GENERAL BACKGROUND & OVERVIEW

With the establishment of the PA in 1994, numerous economic and development projects were initiated, but the WBGS are still totally dependent on support from outside. Palestinian economy is dominated by services, while industry remains underdeveloped and at a low level, and the agricultural sector from the lack or restrictive access to natural resources.

The main reason behind the current economic crisis is the general **closure and separation policy** imposed by Israel in March 1993, which has never been lifted since. In violation of international law, the closure is used as collective punishment against the Palestinian people, preventing WBGS residents from entering Jerusalem or Israel unless they hold an Israeli-issued permit. Any sustained Palestinian economic recovery will ultimately require the dismantling of the closure system.

In 2000, prior to the *Al-Aqsa Intifada*, the employment trends and the prospect for GDP growth were positive, despite the high population growth rates. Since 2000, all economic indicators were negatively affected, in addition to unprecedented physical destruction and **losses**. The cumulative economic opportunity cost in terms of **loss of potential income** over the period 2000–04 is estimated to be \$6.4 billion (in 1997 dollars), or 140% the size of the pre-2000 Palestinian GDP, while the **physical capital loss** is estimated to be around \$3.5 billion, as a result of destruction of private and public infrastructure and capital stock and overuse of surviving physical capital. **Real per capita gross national income** (GNI) dropped by 33.4% between 1999 and 2004. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

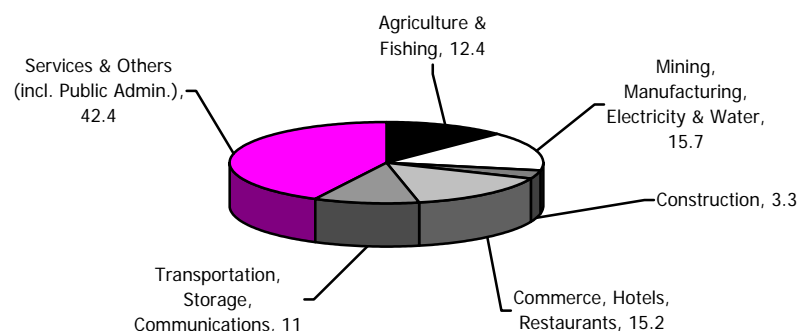
**Key Indicators of the Palestinian Economy (Excl. Jerusalem, selected years)**

	1995	1999	2000	2001	2002	2003 (est.)	2004 (est.)
GDP (US\$ million)	3,225	4,201	4,108	3,816	3,484	3,921	4,011
GNI (US\$ million)	3,699	4,932	4,793	4,143	3,700	4,204	4,373
GDP per capita (US\$)	1,380	1,478	1,386	1,229	1,073	1,158	1,146
GNI per capita (US\$)	1,583	1,736	1,617	1,335	1,140	1,242	1,249
Real GDP growth (%)	6.1	8.6	-5.6	-6.6	-3.8	4.5	-1.0
Real GNI per capita growth (%)	7.9	4.1	-10.7	-16.1	-9.8	2.8	-4.2
Domestic expenditure (% of GDP)	151.8	163.0	155.4	143.3	161.0	153.0	164.4
Inflation (CPI - annual %)	10.8	5.5	2.8	1.2	5.7	4.4	3.0
Poverty rate <sup>1</sup> (% of population)		20	27	37	51	47	48
West Bank:		13	18	27	41	37	38
Gaza Strip		32	42	54	68	64	65

*Source:* UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005, except: <sup>1</sup> poverty rate: World Bank estimates (The World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004).

By the end of 2004, 61% of Palestinian households were estimated to live under a **poverty line** of \$350 per household (comprising 2 adults and 4 children) per month. Households' median monthly income had fallen by about 45% from \$610 in 2000 to \$330 by the end of 2004. Consequently, 32% of Gaza and 20% of West Bank households are living in **extreme poverty**. The main reason for poverty is unemployment. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

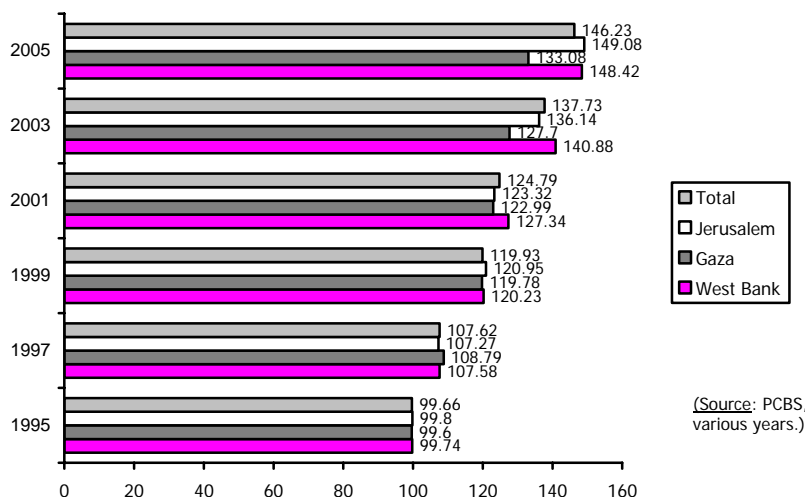
**Economic Structure, 2004 estimates (% of GDP)**



*Source:* UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. 2005.



## ■ Consumer Price Index (Yearly Averages)



## 8.2 AGRICULTURE

### The Agricultural Sector at a Glance, 2003/04

	WBGS
Total Cultivated area (dunums)	1,823,670
Agricultural land as % of total land area	25.2
Irrigated agricultural land as % of total agricultural land	10.7
Area of fruit trees	1,152,692
- as % of total cultivated area	63.2%
Area of field crops	491,178
- as % of total cultivated area	26.9%
Area of vegetables	179,468
- as % of total cultivated area	9.9%
Area of cut flowers	332
No. of cattle	32,395
No. of sheep	811,864
No. of goats	398,821
No. of poultry	36,046
No. of beehives	59,946
Caught fish (metric tons)	2,994.5

(PCBS, *Agricultural Statistics*, 2003/04; *Land Use Statistics*, 2002).

- The share of agriculture in the Palestinian **GDP** was estimated at 12.4% in 2004 (1999: 11%, 1995: 11.9%), while the sector provided for 15.9% of the total WBGS employment (1999: 12.6%, 1995: 12.7%) (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).
- The number of Palestinians **employed** in agriculture fluctuates significantly according to the time of year, as most are seasonal employees. As of Sept. 2005, 14.9% of the labor force (WB: 18.4%, GS: 10.4%) were employed in the agricultural sector. (PCBS, *Labor Force Survey*, July-Sept. 2005).
- In 2004, 12.0% of the male and 33.7% of the female **labor force** worked in the sector, whereby the majority of men (56.6%) were self-employed and the majority of women (85.9%) unpaid family members (PCBS, *Agricultural Statistics*, 2003/04).
- The sector generates approx. 25% of all Palestinian **exports**; major export goods are fruits, olives and olive oil, vegetables and cut flowers. The sector suffers from the lack of access to markets (Israeli export companies still control the quantity and the quality of Palestinian agricultural commodities), and restricted water resources.
- Fruit trees are the main kind of **cultivation**, followed by field crops and vegetables. Of the area cultivated with **fruit trees**, olives cover the largest area, followed by grapes, almonds and citrus; the largest area of the **field crops** is taken up by wheat, followed by barley, clover and chickpeas; regarding **vegetables**, the largest area is covered by squash, followed by tomatoes and cucumbers. (PCBS, *Agricultural Statistics*, 2003/2004).

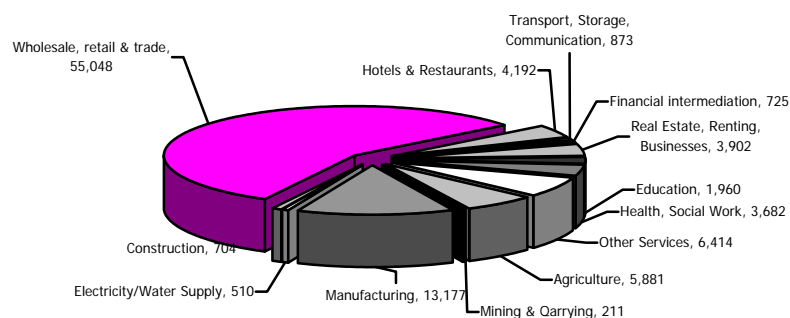
- The **total area of agricultural land** is 1,488 km<sup>2</sup> of which 1,152.7 km<sup>2</sup> is **permanently** and 335.4 km<sup>2</sup> **temporarily cultivated**. Of the total cultivated area only 158.2 km<sup>2</sup> (10.6%) are **irrigated** (79 km<sup>2</sup> or 5.7% in the West Bank, 79.2 km<sup>2</sup> or 72.6% in Gaza), the remainder is **rain-fed**. (PCBS, *Land Use Statistics*, 2004).
- In 2004, there were 4,248 **water wells** used for agriculture (WB: 248; GS: 4,000), pumping some 105,073.7 of cm<sup>3</sup>. (PCBS, *Agricultural Statistics*, 2003/04).
- In 2004, there were 7,259 **agricultural establishments** operating in the private sector (WB: 5,767, GS: 1,492), incl. 4,265 operating in animal farming. (PCBS, *Agricultural Statistics*, 2003/2004).
- **Livestock** production is concentrated in the West Bank (mainly in the Hebron and Nablus areas) and dominated by sheep, followed by goats, poultry, bees and cattle. (PCBS, *Agricultural Statistics*, 2003/2004).
- In 2004, Gaza's 2,998 **fishermen** - operating 725 boats - caught some 2,994.5 tons of **fish**, mainly sardines. (PCBS, *Agricultural Statistics*, 2005).
- Israel's continued confiscation of Palestinian lands has substantially undermined the agricultural sector's absorptive capacity. Owing to the construction of the separation barrier, the West Bank has lost some of its most fertile areas, with agricultural lands accounting for 86% of the confiscated 270 km<sup>2</sup> by July 2004. In Gaza, Israeli forces have leveled over 15% of the 172 km<sup>2</sup> agricultural land. By mid-2004, the total amount agricultural land losses in both the West Bank and Gaza was around 260 km<sup>2</sup>, representing at least 14.5% of the total cultivated land in 2003. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

### 8.3 INDUSTRY & PRIVATE SECTOR

**Facts & Figures** (if not otherwise states, from the PCBS *Establishment Census 2004*):

- The share of mining, manufacturing, electricity and water in the Palestinian **GDP** was estimated at 15.7% in 2004 (1999: 16.1%, 1995: 21.3%), while the sector provided for 12.7% of the total WBGS **employment** (1999: 15.5%, 1995: 18%) (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).
- Total **number of establishments** 117,153 (WB: 81,393; GS: 35,760), of which 103,846 are operating (WB: 71,407; GS: 32,439) and some 6,450 were ancillary units. The total number marked an 18.2%-increase over 1997. In addition, there were 1,118 establishments under preparation (WB: 836; GS: 282). Hebron governorate has the highest number of establishments (16,088) followed by Gaza governorate (15,184), Nablus (15,042) and Jenin (12,272).
- Some 91.0% of the establishments were **run by** the private sector, 5.0% were run by the government, 2.6% by NGOs, and 1.4% by local authorities, UNRWA and foreign bodies.
- The **main economic activity** of 56.6% of the establishments is wholesale, retail trade and repairs.
- The total number of **workers** in establishments in operation in private sector and government companies was 257,587 (WB: 67.5%; GS: 32.5%), of which 39,689 were females. Most females were employed in education (9,126) and wholesale/trading (6,146).
- The vast majority of establishments were **small enterprises** with up to 4 employees (over 90%), while less than 1% of the establishments had more than 20 employees.
- The **legal status** of the vast majority of establishments (over 85%) was sole proprietorship.

#### Operating Establishments (Private Sector, NGOs and Government Companies) by Sector, 2004



(Source: PCBS, 2004)



## 8.4 LABOR & EMPLOYMENT

### ■ Labor Market – General Development

- The **working age population** (15+ years) reached 2,041,000 (54% of the total population) by Sept. 2005, of which – by ILO standards - the number of **labor force** participants stood at 850,000 (41.7%), with 586,000 (44.1%) in the WB and 264,000 (37.1%) in the GS. Some 49.6% of those remaining **outside the labor force** were housekeeping, 32.4% studying or training, 12.3% did not participate due to old age or illness, and 5.7% due to other reasons. (PCBS, *Labor Force Survey Report Series*, July-Sept. 2005).
- As of Sept. 2005, 90.1% of WBGs workers were working in the **Palestinian territories** (86.4% of West Bankers; 99.5% of Gazans), while 9.9% were employed in **Israel**, incl. settlements (5.6% of West Bankers and 5.9% of holders of Israeli ID cards or foreign passports) (PCBS, *Labor Force Survey*, July-Sept. 2005).

#### Palestinian Labor Force – Various Features (by ILO Standards)

by employment status (%)	2005 (July-Sept.)			1997-99 Average	2000	2001-04 Average
	WB	GS	Total			
Labor force participation rate	44.1	37.1	41.7	42.85	41.5	39.4
Full employment	70.9	68.4	70.2	77.7	80.9	67.6
Underemployment	9.2	2.6	7.1	6.7	5.0	5.2
Unemployment	19.9	29.0	22.7	15.5	14.1	27.2
<b>by labor status (%):</b>						
Employers	5.3	2.9	4.6	5.5	4.6	4.0
Self-employed	26.7	22.0	25.4	20.4	19.6	26.3
Waged employees	55.0	66.6	58.3	65.4	66.1	59.3
Unpaid family members	13.0	8.5	11.7	8.7	9.7	10.5
<b>by economic activity (%):</b>						
Agriculture, forestry, hunting, fishing	18.4	10.4	14.9	12.8	13.7	14.5
Mining, quarrying, manufacturing	13.9	7.9	13.0	15.8	14.3	13.0
Construction	10.1	8.5	13.0	21.2	19.7	12.6
Commerce, hotels, restaurants	21.4	17.5	20.1	17.8	17.5	19.8
Transportation, storage, communication	5.7	5.6	5.3	4.7	4.9	5.6
Services and other branches	30.5	50.1	33.7	27.7	29.9	34.5
<b>Working time and wages</b>						
	WB	GS	Israel	1997-99	WBGs average 2000	2001-04
Average weekly working hours	43.7	42.5	46.2	44.3	43.1	41.7
Average monthly working days	23.7	24.3	21.4	22.6	23.2	23.1
Average daily net wage – NIS	74.5	59.9	128.0	67.8	77.3	73.5
Median daily net wage – NIS	65.4	53.8	134.6	53.8	69.2	57.3

(Source: PCBS, *Labor Force Survey Report*, July-Sept. 2005, previous years.)

- **Youth employment:** almost one-third of the age group 15-24 years and over half of the age group 25-29 years are currently neither employed nor studying. Adding to this problem are an estimated 39,000 young persons who will enter the labor market annually in the next five years. (ILO, *The Situation of Workers of the Occupied Arab Territories*, 2004).
- **Public sector employment:** some 22% of the workforce is employed by the PA – in Gaza, one third of the workforce and one half of all wage-earners are supported through PA employment. While the productivity of some segments of this workforce is questionable, PA salaries effectively double as welfare payments and inject critical demand into the economy. (The World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004).
- **Work Conditions:** 81.7% of wage employees in the Private Sector in the **WBGs** received their wage regularly, 43.7% had annual paid vacations. 47.7% got paid sick leaves, and 24.8% cash incentives. Some 49.4% felt they have job security, 38.1% had written contracts and over 90% were affiliated with Labor Unions. Of those working in **Israel**, 78.6% got their wages regularly, 31.0% got annual paid vacations, 35.1% received in kind incentives, 27.0% felt job security and 36.9% had written contracts. (PCBS, *Work Conditions Survey*, May-June, 2004).

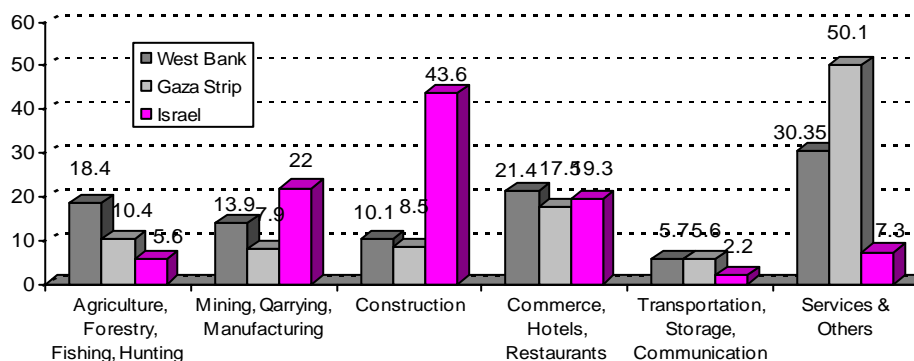
### ■ WBGs Laborers in Israel

- According to PCBS data, 146,000 Palestinians (116,000 from the West Bank, incl. East Jerusalem, and 30,000 from Gaza) **worked in Israel**, incl. industrial estates and settlements, during the third quarter 2000. Since then, numerous Palestinian workers have lost their jobs in Israel as a result of Israel's closure policy. In March 2005, they numbered 60,000 (with less than 1,000 coming from Gaza). **Remittances** of workers in Israel declined accordingly from US\$328 million in Sept. 2000 to only \$58million at the end of 2004. (World Bank, *West Bank and Gaza Update*, June 2005).
- As of Sept. 2005, 5.9% of the Palestinian labor force was employed in Israel and settlements (WB: 8%, GS: 0.5%) as opposed to 23% in 1999. Most workers were employed in construction. The average daily wage of those working in Israel, incl. settlements, was NIS 128 (PCBS, *Labor Force Survey Report*, July-Sept. 2005).



## ■ Labor Force Distribution by Sector (%)

(Source: PCBS Labor Force Surveys, July-Sept. 2005.)



## ■ Women in the Labor Force

- Despite the high and successful secondary school enrolment of women, which generally correlates positively with female work, women's **labor force participation** (15+ years) remains low, accounting for only 14.2% of the formal **labor force** (WB: 16.6%; GS: 9.9%). As of Sept. 2005, 24.7% of the female labor force was **unemployed**. Main reasons for the low participation are high fertility rates, early marriage, large families, and the increased female caretaker role (due to the high number of killed, injured or imprisoned people). (PCBS, *Labor Force Survey*, July-Sept. 2005).
- Most women work in the **agriculture and service** sectors. In comparison with men, women are **disadvantaged** in terms of wages and social security benefits, and there are unequal barriers for women entrepreneurs in terms of property and inheritance rights, access to credit, penal liability and the availability of childcare facilities. (ILO, *The Situation of Workers of the Occupied Arab Territories*, 2004).
- Of the female labor force in 2003, 33.6% were **employed** in agriculture, forestry, hunting, fishing, 7.6% in mining, quarrying, manufacturing, 8.1% in commerce, hotels, restaurants, and 50.1% in services and other branches. The majority of working women were professionals, technicians, associates and clerks (43.4%) or skilled agricultural/fishery workers (33%). (PCBS, *Labor Statistics*, 2003).

## ■ Child Labor

- The main **reason** for child labor is the bad economic family situation (over 70%). In 2003, 4.5% of the children in the age group **10-14 years** were working (=3.1% of all children in that age group). (PCBS, *Survey on Child Labor*, 2004.)
- The number of **employed children** in 2003 was 40,139 children, representing 3.1% of all children in the age group 5-17 years (WB: 3.8%; GS: 1.9%). (PCBS, *Palestinian Children - Rights and Numbers*, Ramallah, 2005.)
- Some 88% of the **working children** are boys and the majority of children works in agriculture (46%), followed by shops and offices (20.7%) and workshops/factories (19.1%). (PCBS, *Survey on Child Labor*, 2004.)

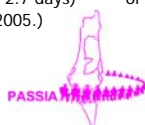
## 8.5 TOURISM

- The share of **hotels, restaurants and commerce** in the Palestinian **GDP** was estimated at 15.2% in 2004 (1999: 14.5%, 1995: 18.2%), while these sectors provided for 19.9% of the total WBGS employment (1999: 17%, 1995: 19.6%). (UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

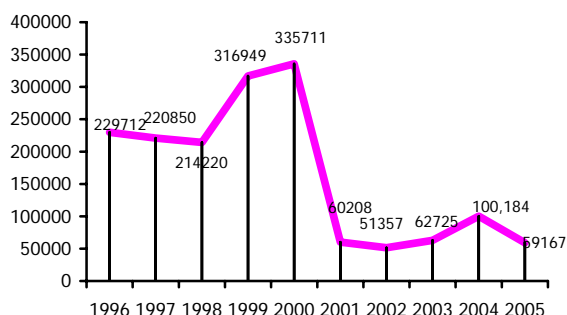
### ■ Hotels and Related Features

	Area	Hotels	Rooms	Beds	Guests	Room Occupancy	Bed Occupancy	Workers engaged		
								Admin.	Operation	Total
End of 1999	WBGS	92	3,752	8,102	316,871 <sup>1</sup>	35.5%	30.3%	403	1,234	1,637
as of June 2005	WB all	45								
	- North	7	112	264	2,024	19.9%	11.4%			
	- Middle	19	688	1,370	18,862	32.3%	25.5%			
	- South	19	1,491	3,129	5,194	3.7%	3.1%			
	J'lem	20	900	2,036	29,164	35.7%	26.4%			
	Gaza	13	417	751	3,832	4.7%	4.2%			
	<b>Total</b>	<b>78</b>	<b>3,608</b>	<b>7,550</b>	<b>59,167<sup>1</sup></b>	<b>17.7%</b>	<b>13.9%</b>	<b>257</b>	<b>932</b>	<b>1,189<sup>2</sup></b>

<sup>1</sup> Average length of stay in hotels: 1999: 2.1 days; 2005: 2.7 days) <sup>2</sup> of which 171 are female  
(Source: PCBS, *Tourism Statistics, Hotels Activity Survey*, 2005.)



## ■ Hotel Guests in Palestine, 1996-June 2005



### Nationality (Jan.-June 2005):

Palestinian (from abroad)	21,271
Arab	818
Israeli	8,170
US/Canada	6,230
South/Central America	333
Australia/New Zealand	167
EU	13,671
Other European	972
Asia	7,078
Africa	457
<b>Total:</b>	<b>59,167</b>

(Source: PCBS, *Tourism Statistics – Hotels Activity Survey*, 2005.)

## 8.6 TRADE

### ■ Facts & Figures

- The sector suffers from the **Israeli control** over the movement of goods and services, a weak export capacity due to an underdeveloped industrial base, lack of natural resources, relatively high wage levels and the Israeli closure policy. The latter has led to increased costs in transportation, which in turn made Palestinian products less competitive, to foreign purchasers switching to more reliable alternative sources of supply in the face of production and shipping interruptions, and Palestinian producers switching to service domestic markets. (World Bank. *West Bank and Gaza Update*, June 2005).
- Besides food and live animals, main **trade items** of the Palestinian economy are manufactured goods (**exports**), as well as manufactured investment goods and raw materials (**imports**).
- The PA has entered into a preferential access **agreement** with the EU, signed a preferential treatment and duty-free access agreement with the US, and is classified by the Arab League within the list of Arab Least Developed Countries, granting it preferential treatment, but trade developments are still disappointing. Palestinian trade remains highly **dependent on Israel**: while trade with Israel represented 67% of total Palestinian exports and imports in 2004, the latter represented only 2.3% of total Israeli trade. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).
- The **trade deficit** continues to climb at a rate much faster than that of domestic production and has widened from \$1.8 billion in 2001 to an estimated \$2.6 billion in 2004, with exports each year either declining faster or increasing more slowly than imports. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

In the wake of the past four years of Israeli occupation and war, the Palestinian economy invests and produces less and therefore consumes more imports, especially those from Israel. All the donor relief support received by the PA in the last four years was not enough to pay for the trade deficit with Israel. It paid only 90% of the gap, while the remaining 10% (about \$140 million annually) is covered by net factor income, which is mainly the income of Palestinian workers in Israel. In other words, an amount equivalent to all donor support to the PA plus half of workers' remittances is channeled to the Israeli economy to pay for Palestinian net imports from Israel.

- Preliminary figures for 2004 showed that Palestinian **imports** amounted to US\$2,211 million in 2004; imports on goods had increased by 19% over the previous year, imports on services by 18%. As for **exports**, their value totaled US\$407 million, whereby exports on goods increased by 17% and on services by 7%. (PCBS, *Preliminary Results of Palestinian Foreign Trade Statistics*).

### Balance of Payments (excl. Jerusalem) - Key Indicators (millions of US\$)

	1995	1999	2000	2001	2002	2003*	2004*
Exports of goods and services	499	684	657	534	529	378	467
Imports of goods and services	2,176	3,353	2,926	2,336	2,654	2,456	3,049
Trade balance (% of GDP)	-51.8	-63.6	-55.4	-43.3	-61.0	-53.0	-64.4
Current account balance (% of GDP)	-21.7	-31.7	-20.9	-13.0	-13.6	-8.9	-16.5
Trade balance with Israel (US\$ million)	-1,388	-1,644	-1,506	-1,541	-1,123	-1,524	-1,621
Trade balance with Israel (% of GDP)	-43.0	-39.1	-36.7	-40.4	-32.2	-38.9	-40.4
Current account balance with Israel (% of GNI)	-24.7	-18.5	-17.1	-29.3	-24.5	-29.5	-28.8
Imports from Israel - % of PA private consumption	56.5	52.4	50.7	53.8	3.68	45.7	46.3
Total PA trade with Israel - % of total Israeli trade	3.7	3.6	2.8	2.7	2.0	2.4	2.3
PA trade with Israel - % of total PA trade	78.8	67.1	71.2	78.6	53.4	75.1	66.8

\* Estimates

Source: UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005.

## 8.7 TAXATION

- The Gaza-Jericho Accord (May 1994) transferred the authority to organize all tax-related issues to the PA, the details of which were outlined in the Early Empowerment Agreement of 29 Aug. 1994. Taxation is the PA's main source of income; during the current Intifada, Israel's refusal to hand over taxes collected on behalf of the PA (for VAT adjustments, import, fuel, income and health taxes) and problems/inefficiency in collecting taxes domestically have reduced the PA's **fiscal revenues** considerably. By the end of 2002, the net amount of monies withheld by Israel since Dec. 2000 was estimated to be US\$560 million. Israel resumed regular transfer of revenues in Dec. 2002 following US pressure and PA assurance to implement auditing reforms (IMF. *Economic Performance and Reform under Conflict Conditions*. Sept. 2003).
- Under the quasi-customs union between Israel and the PA, stipulated in the 1994 Protocol on Economic Relations, the Palestinians adopted - with minor exceptions - Israel's **tariff** structure; the PA applies the Israeli VAT rate (17%) with the option to increase or decrease it by 2% on a limited number of goods. Israel collects tariffs and VAT on Palestinian imports on behalf of the PA.

## 8.8 FINANCES

### ■ Budget and Fiscal Accounts

(million US\$)	1994	1996	1998	2000	2002	2004 (est.)
Public Revenues:	399.8	927.9	1,083.8	1,364	743.7	1,308.4
Domestic Revenues	267.9	684.2	753.7	964	335.3	947.3
Donations and Grants	131.9	243.7	330.1	400	408.4	361.1
Public Expenditures:	382.8	927.9	1,193.5	1,364	1,237.6	1,354.4
Current Expenditures	297.3	709.6	818.8	940	1,025.5	897.0
Capital Expenditures	85.5	218.3	374.7	424	212.1	457.5
Budget deficit	17	0.0	-109.8	0.0	-493.9	-46

(Source: Palestinian Monetary Authority, *Statistical Bulletin*, Oct. 2005.)

The **PA's fiscal deficit** is financed by budgetary support of the donor countries, by clearance revenues released by Israel and domestic lending. The public sector wage bill continues to be the largest expenditure item, consuming around 68% of total 2004 expenditure. The PA budget deficit is estimated to have declined from 15.2% of GDP to 8.6% to reach \$345 million, about 80% of which is financed by external budget support and the remaining 20% through accumulation of arrears. (UNCTAD. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005).

### Fiscal Operations (in % of GDP)

	1997	1998	1999	2000	2001	2002	2003 Est.	2004 <sup>1</sup>	2005 <sup>1</sup>
Revenue	20.6	20.3	22.1	21.4	7.2	11.3	21.5	24.5	24.5
Recurrent expenditures	21.6	19.8	20.9	26.9	29.1	35.3	41.0	43.9	43.9
Total expenditures	28.2	26.1	27.7	32.3	34.6	42.0	48.8	51.6	51.6
Recurrent balance	-1.00	0.50	1.20	-5.50	-21.90	-24.00	-19.50	-19.40	-19.40
Overall balance	-7.6	-5.8	-5.6	-10.9	-27.4	-30.7	-27.3	-27.1	-27.1

<sup>1</sup> Projection (Source: Ministry of Finance, <http://www.mof.gov.ps/english-bud/economics/general-tabel.htm>).

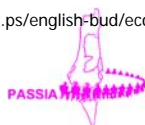
### ■ Banking

Before 1967, there were 32 banks in the WB and 6 in the GS; the period from 1967-1980 was characterized by the total absence of a banking system; only in 1981 did a Bank of Palestine branch open in Gaza. During 1986-1989, 10 further branches of the Bank of Palestine and the Cairo-Amman Bank opened in the WBGs, but the real boom started in 1993 following the signing of the DoP: currently, there are 21 banks with a total of 133 branches (10 Palestinian banks with 68 branches, 1 foreign bank with 1 branch and 10 Arab banks with 69 branches) in the WBGs. The largest national bank is the Bank of Palestine with 25 branches and the largest non-Palestinian bank is the Arab Bank with 22 branches (PMA, website).

### Money and Banking (in millions of US \$)

	1997	1998	1999	2000	2001	2002	2003 est.	2004 proj.	2005 proj.
Deposits	1890	2249	2671	3338	3222	3078	3329	3359	...
Growth rate	14.9	19	18.8	24.9	-3.5	-4.5	8.2	0.9	...
Demand deposits	562	615	686	815	761	780	985	994	...
Time deposits	1329	1635	1985	2522	2461	2298	2344	2356	...
Claims to the private sector	563	733	913	927	860	859	848	855	...
Growth rate	37.8	30.2	24.4	1.6	-7.2	-0.1	-1.3	0.9	...
Average NIS/US \$	3.5	3.8	4.1	4.1	4.2	4.7	4.6	4.7	4.7

(Source: Ministry of Finance, <http://www.mof.gov.ps/english-bud/economics/general-tabel.htm>).



## ■ Donor Assistance

As of Oct. 2005, total **donor commitment** since 1994 had reached US\$6,104,851,292, while actual **disbursements** amounted to US\$4,677,626,670. The disbursements were distributed as follows:

### Donors, 1994-2005

	Donor	Total Disbursed		Donor	Total Disbursed	
Arab Countries	Algeria	\$97,147,990	FAR EAST	Brunei	\$9,600	
	Arab Fund for Economic and Social Development	\$200,000		China	\$95,984	
	Bahrain	\$7,343,152		India	\$810,392	
	Egypt	\$11,290,078		Indonesia	\$4,800	
	Jordan	\$1,171,457		Japan	\$151,980,686	
	Kuwait	\$87,159,674		Malaysia	\$36,000	
	Lebanon	\$10,559		South Korea	\$1,405,376	
	Libya	\$17,112,549		Australia	\$7,494,553	
	Morocco	\$1,539,560		Chile	\$7,200	
	Oman	\$7,626,313		Colombia	\$1,200	
	Qatar	\$24,449,839		Iceland	\$72,000	
	Saudi Arabia	\$333,590,916		Inter-Gov.tal Org.	\$3,346,000	
	Sudan	\$858,234		Islamic Develop. Bank	\$76,670,000	
	Syria	\$1,559,849		Liechtenstein	\$11,520	
	Tunisia	\$7,464,057		Maldives	\$1,440	
	United Arab Emirates	\$77,323,432		Mexico	\$6,198	
Yemen	\$8,300,000	Monaco	\$7,200			
European Union	Austria	\$15,626,893	OTHERS	Namibia	\$960	
	Belgium	\$36,682,736		New Zealand	\$1,153,330	
	Cyprus	\$53,878		Norway	\$183,654,215	
	Czech Republic	\$86,621		OPEC Fund	\$0	
	Denmark	\$49,748,131		Private Contributions	\$8,890,082	
	EC	\$1,172,072,960		San Marino	\$12,000	
	Finland	\$27,220,895		South Africa	\$642,279	
	France	\$104,745,765		Switzerland	\$63,790,258	
	Germany	\$190,282,691		Thailand	\$28,800	
	Greece	\$11,499,076		World Bank Group	\$114,490,004	
	Ireland	\$11,616,588		TO BE DETERMINED	\$85,000	
	Italy	\$144,670,370		Turkey	\$571,825	
	Luxembourg	\$5,763,936		UN Agencies	\$3,064,365	
	Malta	\$5,760		UNDP TRAC	\$15,301,147	
	Netherlands	\$99,662,718		UNESCO HQ	\$904,840	
	Poland	\$28,800		United Nations	\$21,641,333	
	Portugal	\$1,154,235		Vatican (Holy See)	\$82,600	
	Spain	\$50,879,853		U S	Canada	\$26,828,445
	Sweden	\$362,090,471			USA	\$778,114,059
	United Kingdom	\$248,370,946				
				<b>TOTAL</b>	<b>\$4,677,626,671</b>	

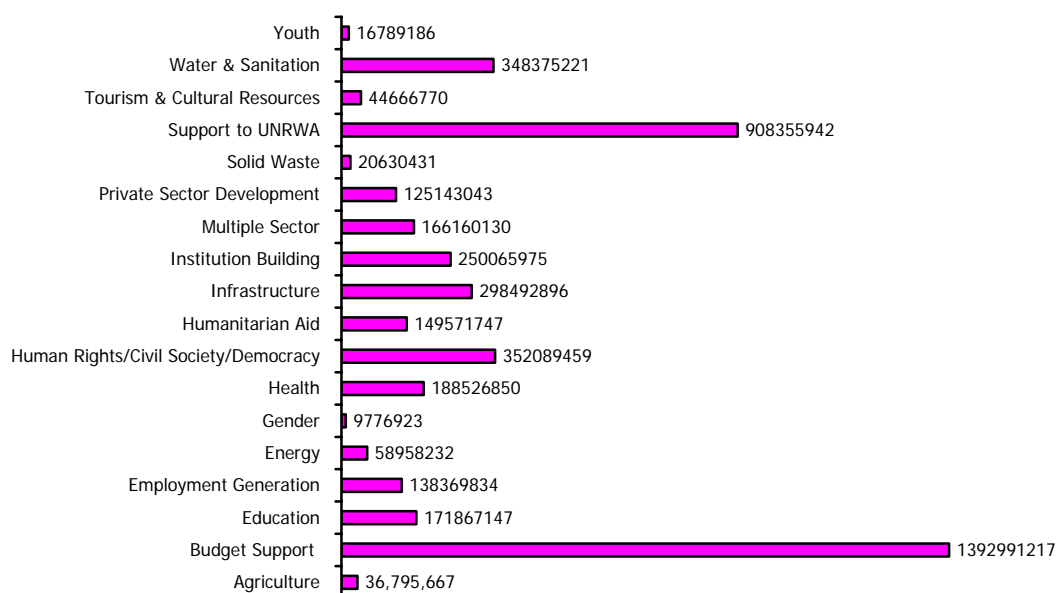
(Source: PA Ministry of Planning, Directorate General of Aid Management and Coordination).

- **NGO's share** in donors' assistance has increased, reaching almost 20% of donors' fund disbursements in 2003. (PA Medium-Term Development Plan 2005-2007).
- A significant share of donors' assistance in the last four years was for **relief efforts** aimed at **poverty alleviation**. World Bank analysis suggests that without donor assistance, absolute poverty levels would be almost 40% higher. (The World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004).
- **Arab countries** have been a substantial source of donors' assistance to the OPT, especially in the last four years. The Arab League has provided US\$ 1 billion in assistance to the Palestinian people since the beginning of the Intifada, mainly for PA budget support and relief efforts, such as providing food baskets to the needy. Other measures were taken in the last four years to support the Palestinian economy and strengthen its relations with the Arab world. The Arab Summit held in Cairo in 2000 called on Arab countries to exempt Palestinian exports to Arab countries from tariffs, and some countries have already done so. The Jeddah-based Islamic Bank decided in 2004 to offer free export insurance to Palestinian exporters. (PA Medium-Term Development Plan 2005-2007).



- It is commonly agreed that **additional** donor assistance aid would have little impact other than alleviating day-to-day hardship, unless there is an end to Israel's **closure** policy. With a freeing-up of the constraints on economic activity and committed Palestinian reform, the World Bank estimated that an additional US\$500 million per annum could by 2006 spur a growth in real personal incomes of about 12% (and 20% in nominal terms), and could reduce unemployment to levels only slightly higher than prior to the *Intifada*.
- The International Humanitarian Action Plan and Appeal for **2005** of the **Consolidated Appeals Process (CAP)** – a coordinated program jointly undertaken by UN organizations and international NGOs – required US\$ 302,601,889 to cover a range of projects in the fields of economic recovery & infrastructure, agriculture, food aid, health water & sanitation, coordination & support services, and security. **As of 10 June 2005**, 45% of the 2005 CAP had been funded; a total of US\$ 134,444,353 has been contributed or committed. The mid-year review led to a slight revision of some projects' budgets, bringing the total amount requested for 2005 to US\$ 295,769,484. Unmet requirements for the remainder of 2005 totaled US\$ 161,325,131. Funding was distributed as follows: Food Security (46% funded), Economic Recovery/Infrastructure/Emergency Employment (51%), Water/Sanitation (56%), Education (2%), Health/Psycho-Social Support (9%), Coordination (29%).

#### Donor Grant Distribution by Sector (in \$), 1994-2005:



(Source: PA Ministry of Planning, Directorate General of Aid Management and Coordination).

#### Recommended Research Sources:

<http://www.arts.mcgill.ca/mepp/unesco/unfront.html> (UNSCO Reports) <http://electronicintifada.net/v2/businesseconomy.shtml>  
<http://www.pma-palestine.org/> (Pal. Monetary Authority) <http://www.pcbs.org/> (Statistical Bureau)  
<http://psgateway.org> <http://www.met.gov.ps/>  
<http://lnweb18.worldbank.org/mna/mena.nsf/Countries/West+Bank/81299AF1B1220C528525680E0071D721?OpenDocument>

**ILO**, *The Situation of Workers of the Occupied Arab Territories*. International Labor Conference, 2004.

**International Monetary Fund**. *Economic Performance and Reform under Conflict Conditions*. IMF, West Bank and Gaza, Sept. 2003. (<http://www.imf.org/external/pubs/ft/med/2003/eng/wbg/wbg.pdf>)

**Palestinian Monetary Authority**. *Monthly Statistical Bulletin* (various issues).

*Palestinian Trade Policy: Alternatives and Options*. Ramallah: MAS, 2002.

**UNCTAD**. *Report on UNCTAD's Assistance to the Palestinian People*. July 2005. [http://www.unctad.org/en/docs/td52d2\\_en.pdf](http://www.unctad.org/en/docs/td52d2_en.pdf).

*West Bank and Gaza Update - A Quarterly Publication of the World Bank WBGS Resident Mission*.

The World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004. The World Bank, *West Bank and Gaza - Public Financial Management Reform Trust Fund Project, Vol. 1*, 2004.

