

**Palestinian Central Bureau of Statistics
(PCBS)**



**Palestine Economic Policy Research Institute
(MAS)**

Quarterly

Economic and Social Monitor

Volume 2

July 2005

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This issue of the *Economic & Social Monitor* was funded by the Ford Foundation (MAS) and the Core Funding Group (PCBS).

Foreword

The Palestine Economic Policy Research Institute (MAS) and its partners in the Palestinian Central Bureau of Statistics (PCBS) were delighted with the overwhelmingly positive response to the publication of the first **Quarterly Economic Monitor**, with praise for the concise, useful and up-to-date information it contained regarding the Palestinian economic and social situation. This encouraging reception provided extra impetus to prepare the second issue without delay, and include in it numerous additions and improvements to meet the varied needs of readers. We have devoted particular effort to develop the analysis of the statistics and data, seeking to reach the highest degrees of clarity in order to facilitate spreading knowledge to the widest circle of interested persons.

The present issue contains analysis of all the economic and social statistics published by the PCBS during the first quarter of 2005, in addition to reports issued by other governmental and non-governmental institutions. The report also contains an analysis of job vacancies announced in the local press, discrepancies in the exchange rate spreads of the main currencies used in the Palestinian market, and a follow-up of changes in prices of some consumer goods. In addition, it monitors human rights violations by the occupation authorities and other bodies, including honour killings and victims of lawlessness.

We extend our thanks to all those who contributed to the publication of this issue, especially the members of the research teams at the PCBS and MAS. As usual, our gratitude also goes to the Ford Foundation (MAS) and the Core Funding Group (PCBS), whose ongoing support of this venture is appreciated by all concerned with it.

Luay Shabanah
President of PCBS

Samir Abdullah
Director General, MAS

TABLE OF CONTENTS

1- DEMOGRAPHIC CONDITIONS	1
1-1 Palestinians 57 Years after the Tragedy (Al-Nakba)	1
1-2 Marriage and Divorce in the West Bank and Gaza Strip	2
2- INFRASTRUCTURE	3
2-1 Building Permits	3
2-2 Import of Cement	4
3- LIVING CONDITIONS AND STANDARDS	5
3-1 Poverty	5
3-2 Coping Strategies of Palestinian Families	7
3-3 Social Assistance	9
3-4 Family Spending and Consumption	10
3-5 Housing Statistics	11
4- LABOUR AND WAGE MARKET	12
4-1 Labour Force	12
4-2 Distribution of Palestinian Workers in the Palestinian Territories according to Economic Activity	13
4-3 Palestinian Workers in the Israeli Economy	13
4-4 Unemployment	14
4-5 Wages	14
4-6 Women in the Palestinian Labour Force	15
4-7 Vacant Job Announcements	16
5- EDUCATION AND CULTURE	17
5-1 Education	17
5-2 Culture	19
6- HEALTH	20
7- NATIONAL ACCOUNTS	21
8- PRICES	22
8-1 Purchasing Power	23
8-2 Average Prices of Some Consumer Goods and Services	24
9- PUBLIC FINANCE	25
9-1 Revenue	25
9-2 Expenditure	25
9-3 Financing	26
10- TOURISM	27
11- BANKS	29
11-1 Deposits	29
11-2 Credit Facilities	31
11-3 Discrepancy in Currencies' Exchange Rate	32

12- PALESTINE STOCK EXCHANGE	36
13- SECURITY, JUSTICE AND LAW	36
13-1 Legal Environment	36
13-2 Security	38
13-3 Citizens' Rights	38
14- ISRAELI MEASURES	39
14-1 Israeli Violations of Palestinian Citizens' Rights During 2004	40
14-3 Annexation and Separation Wall	42
REFERENCES	43

EXECUTIVE SUMMARY

Population: Estimates of the number of Palestinians in the world in mid-2005 place them at around 10 million, more than half of whom live in the *diaspora*. The number of inhabitants in the West Bank was around 2.372 million, and in the Gaza Strip 1.390 million.

Marriage and Divorce: Crude marriage rates increased in 2004 compared to 2003. There was a reduction in crude divorce rates in the West Bank and little change in numbers in the Gaza Strip compared to the previous year.

Infrastructure: The number of building permits issued continued to increase during the first quarter of 2005. The total area of buildings licensed also increased, by 24.8%, while the amount of cement imported to the Palestinian territories rose by 33.4%. The West Bank imported 65% of that quantity and the Gaza Strip 35%.

Poverty: 67% of Palestinian families in the territories live below the poverty line, according to statements made by families regarding their income during the first quarter of 2005. 58% of families said that they have reduced their spending and 54% of families stated that their income was less than half what it had been before the *Intifada*. 35% of families in the Palestinian territories received social assistance during the first quarter of 2005.

Family Spending and Consumption: The average monthly family spending amounted to 535 Jordanian Dinars, which is 2.2% less than in 1998, while the average monthly family consumption amounted to 601 Dinars.

Labour Force: The rate of participation in the labour force in the Palestinian territories slightly decreased during the first quarter of 2005, to become 39.7%. At the same time the average unemployment rate rose to 26.3%, despite the increase in the number of those employed in Israel by nearly 11 thousand persons. The number of wage earners in economic enterprises increased. The contribution of the agricultural sector to employment noticeably decreased, after the good olive season during the previous quarter, but the contribution of the other sectors rose. Female participation in the labour force fell during the first quarter of 2005, becoming 12.1% compared to 14.6% in the previous quarter.

Job Vacancies: The number of jobs advertised in the three major newspapers during March, April and May 2005 was 1,073. Advertisements by the private sector constituted 64% of all advertisements and the NGO sector 24%.

Education: The number of students enrolled in school-level education totalled 1.045 million students. This figure constitutes a 2.6% increase compared to the previous year. The decline in dropout rates continued and the ratio of students to teachers improved. However, the crowding rate in classrooms remained high at 35 students per class.

Culture: Data reveal a tremendous weakness in cultural activities in the Palestinian territories and a noticeably small number of cultural institutions. Cultural activities are concentrated in the centre of the West Bank (specifically in Ramallah) and in Gaza city.

National Accounts: The Gross Domestic Product (GDP) amounted to US\$1,053 million during the first quarter of 2005, an increase of 1.9%. The services sector contributed the biggest share, amounting to 35.8%. The share of the individual of GDP rose by 1.4% compared to the previous quarter.

Inflation: There was a 1.9% increase in the average price of goods in the Palestinian territories, the increase highest in the West Bank. The exchange rate of the Dinar and the Dollar decreased against the Shekel by 2.2% and 2.1% respectively, and the purchasing power of both currencies fell. It was noted that the prices of foodstuffs and services in Jerusalem were generally higher than in the rest of the West Bank, and that prices in Gaza were lower.

Public Finance: The first quarter of 2005 saw a big discrepancy between the actual data and budget estimates – actual revenue fell short of estimates by 4.6% and general expenditure was 31.7% lower. All expenditure items were reduced with the exception of net lending. The item of foreign funding was estimated at US\$290.5 million, while net funding was minus US\$27 million. This is due to the big payments falling under the heading of deferred payments, which amounted to nearly US\$100 million more than estimated.

Tourism Sector: The number of functioning hotels in the Palestinian territories increased by three, to become 83 hotels. The number of hotel guests rose by 1.8% and the number of hotel rooms increased by 41.

Banks: The total amount of deposits in banks operating in the Palestinian territories was US\$3992.5 million – an increase of 0.8%. Deposits were distributed 76.2% in the rest of the West Bank and 23.8% in the Gaza Strip. Current deposits constituted 35.3% of the total deposits in the rest of the West Bank and 35.7% of the total deposits in the Gaza Strip. Credit facilities rose by 11.6% and the credit to deposit ratio increased to 39.7%.

Discrepancy in Currencies' Exchange Rate: It was revealed that the discrepancy in the buying and selling prices of the Dollar against the Shekel was less than that of the Dinar and Euro. It was also revealed that the amount of discrepancy was less in Palestine than in Israel.

The Stock Exchange: The number of shares traded rose by 150.4% and were valued at nearly US\$445 million. The number of trading transactions rose by 118.4%. The Jerusalem index rose by 117.5% during the first quarter 2005.

The Legal Environment: The Palestinian territories still suffered from lawlessness and the 'chaos of arms'. Different evaluations revealed an improvement in the majority of areas of Palestinian citizen's rights during 2004, with the exception of personal security. The death sentences passed on four persons were carried out in Gaza. The question of so-called 'crimes of honour' – estimated to be 20 cases of killing – received special attention in the first quarter of the year. The Legislative Council embarked on measures to adopt 11 draft laws during the first quarter of 2005 and approved one – the Law on Illegal Earnings.

Israeli Measures: The policies of occupation resulted in the death of 95 martyrs (36 in the West Bank and 59 in Gaza), among them 30 children. 386 persons were wounded. 2,278 dunums of land were destroyed and 2,040 others expropriated for the purpose of building the Wall. The occupation destroyed 1,464 houses and damaged 1,236 establishments.

LIST OF TABLES

- Table 1: Indicators regarding building permits and licensed areas in the rest of the West Bank and Gaza Strip for the years 2000, 2004, and 2005
- Table 2: Quantity of cement imported to the Palestinian Territories during first quarters of 2003-2005
- Table 3: Percentage of families which stated they were in need of support, according to region, during fourth quarter of 2004 and first quarter of 2005
- Table 4: Palestinian families which reduced spending on basic necessities, second quarter of 2004 and first quarter of 2005
- Table 5: Percentage of families whose income fell by more than half since the *Intifada*, according to region, fourth quarter 2004 and first quarter 2005
- Table 6: Percentage of families able to withstand for more than one year and those experiencing hardship, third quarter 2004 until first quarter 2005
- Table 7: Coping strategies resorted to by Palestinian families, second quarter 2004 until first quarter 2005
- Table 8: Social assistance in Palestinian Territories, fourth quarter 2004 and first quarter 2005
- Table 9: Monthly family spending and consumption in urban and rural areas and refugee camps
- Table 10: Levels of monthly family spending for groups of basic goods in Palestinian Territories – 1998, 2004
- Table 11: Percentage of Palestinian families owning durable goods, by type of goods and region, 2004
- Table 12: Selected indicators concerning basic components of work force in Palestinian Territories, first quarter 2005
- Table 13: Distribution of Palestinian workers in Palestinian Territories, according to regions and economic activity, first quarter 2005
- Table 14: Vacant jobs advertised in the three main newspapers, grouped according to sectors, first quarter 2005
- Table 15: Vacant jobs advertised in the three main newspapers, grouped according to educational qualifications required
- Table 16: Vacant jobs advertised in the three main newspapers, grouped according to sector and educational qualifications
- Table 17: Palestinian adults' educational status, 2004
- Table 18: Distribution of students in Palestinian Territories, according to sponsoring party, 2003/2004 and 2004/2005
- Table 19: Enrolment rates in education in Palestinian Territories, 2003/2004 and 2004/2005
- Table 20: Average exchange rate of Jordanian Dinar and US Dollar against Israeli Shekel during first quarter of 2005
- Table 21: Development of Jordanian Dinar and US Dollar purchasing power in Palestinian Territories
- Table 22: Average consumer prices of some types of goods during 2004
- Table 23: Actual Revenue, Expenditure and Funding data during first quarter 2005, compared to estimates in budget
- Table 24: S Dollar against Israeli Shekel
- Table 25: Jordanian Dinar against Israeli Shekel
- Table 26: Euro against Israeli Shekel
- Table 27: Draft laws and laws with economic dimensions at different legislative stages
- Table 28: Percentage of Palestinian prisoners in Israeli jails subjected to different kinds of torture

LIST OF FIGURES

- Figure 1: Distribution of Palestinians according to Place of Residence, End 2004
- Figure 2: Registered Marriage Contracts in West Bank and Gaza, 1997-2004
- Figure 3: Crude Marriage Rate in West Bank and Gaza, 1997-2004
- Figure 4: Crude Divorce Rate in West Bank and Gaza, 1997-2004
- Figure 5: Percentage of Palestinian Families under Poverty Line, according to Region, Fourth Quarter 2004, and First Quarter 2005
- Figure 6: Distribution of Palestinian Families according to Basic Source of Income, Fourth Quarter 2004, and First Quarter 2005
- Figure 7: Type of Social Assistance in West Bank and Gaza Strip, First Quarter 2005
- Figure 8: Gross Domestic Product in Rest of West Bank and Gaza Strip in Fixed Prices: Base Year 1997
- Figure 9: Distribution by Percentage of Economic Activities' Contribution to GDP in Rest of West Bank and Gaza Strip
- Figure 10: Average Inflation in Israeli Shekels in Jerusalem, West Bank and Gaza Strip, First Quarter 2005
- Figure 11: Development of Purchasing Power of Dinar and Dollar in Palestinian Territories
- Figure 12: Number of Functioning Hotels in Palestinian Territories
- Figure 13: Number of Hotel Guests and Room Occupancy Rate at Functioning Hotels in Palestinian Territories
- Figure 14: Total Bank Deposits in Rest of West Bank and Gaza Strip
- Figure 15: Share of Current Deposits, Savings Deposits and Term Deposits of Total Deposits in Rest of West Bank and Gaza Strip for First Quarter 2005
- Figure 16: Dollar Contribution to Current Accounts, Savings Accounts and Term Deposit Accounts in Rest of West Bank and Gaza Strip for First Quarter 2005
- Figure 17: Israeli Shekel's Contribution to Current Accounts, Savings Accounts and Term Deposit Accounts in Rest of West Bank and Gaza Strip, for First Quarter 2005
- Figure 18: Jordanian Dinar's Contribution to Current Accounts, Savings Accounts and Term Deposit Accounts in Rest of West Bank and Gaza Strip for First Quarter 2005
- Figure 19: Credit Facilities Distribution in the Three Currencies
- Figure 20: Credit to Deposits Ratio in Palestinian Territories
- Figure 21: Market Value of Companies Registered on the Palestinian Financial Market
- Figure 22: Jerusalem Index

Main Economic Indicators in West Bank and Gaza Strip

Indicator	1999	2000	2001	2002	2003	2004	Q1 2005
GDP (million \$, constant prices)	4883.4	4619.2	4325.7	4169.3	4010.8	4131.2	1052.8
GDP per capita (\$, constant prices)	1617.2	1466.4	1311.2	1203.4	1184.8	1217.8	303.6
Final consumption (million \$)	4786.6	4574	4371.8	4284.8	4128.1		
Gross capital formation (million \$)	2162.4	1507.7	1186.2	727.2	1126.3		
Government final consumption (million \$)	1062.2	1162.2	1326.1	1222.9	1127.2		
Net exports (million \$)	-3127.9	-2624.7	-2550.3	-2050.1	-2487.1		
Imports (million)	4081.7	3513.9	3155.5	2615.1	2929.9		
Exports (million \$)	953.8	889.1	605.2	565	442.8		
GNI (million \$, constant prices)	5842.6	5426.5	4817.4	4570.7	4372.5		
GNI per capita (\$, constant prices)	1934.8	1722.7	1460.3	1319.3	1291.6		
Employment (including workers in Israel, 1000 workers)	588.3	597	508.1	487.1	590.7	604	586
Local employment (1000 workers)	453.6	480	438.5	436.9	533.4	550	526
Employment in Israel (1000 workers)	134.7	117	69.6	50.2	57.3	54	60
Labour force participation rate (%)	41.6	41.5	38.7	38.1	40.4	40.5	39.7
Unemployment rate (%)	11.8	14.1	25.5	31.3	25.6	26.8	26.3
Inflation rate (%)	5.5	2.8	1.2	5.7	4.4	3.0	1.9
Poverty rate (%)	21	32	44	60	72	61**	67
Total public revenues (million \$)*	1136.2	1363.9	1092	392.34	676.24	947.3	252.4
Total public expenditures (million \$)	1215.81	1386.15	1254	1082.7	1156.86	1511.59	379
Surplus before assistance (million \$)	-314.61	-422.25	-966.9	-690.63	-480.62	-564.29	-126.6
Surplus after assistance (million \$)	-79.61	-22.25	-162	-171.66	42.8	-22.01	-153.8
Actual foreign assistance (million \$)	523.9	559.2	1045.8	966.1	1045.5		
Public debt (million \$)	286.62	391.85	839.72	887.24	914.07	1257	1257
Deposits from residents (million \$)	2832	3470.13	3398.81	3430.1	3624.39	3957.76	3992.54
Credit facilities extended to residents (million \$)	1005.46	1346.25	1220.56	950.25	1065.70	1420.33	1584.59

* Data concerning public finances for 1995-2001 differ in their method of preparation from data concerning 2002-2004 because of different sources. Consequently comparisons cannot be made between the two periods.

** Fourth quarter 2004.

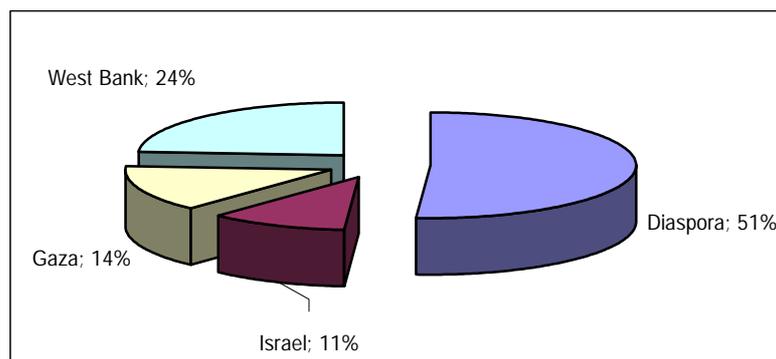
1- Demographic Conditions

1-1 Palestinians 57 Years after the Tragedy (*Al-Nakba*)

The 15th of May 2005 marked the 57th anniversary of the Palestinian tragedy (*Al-Nakba*), which resulted in the uprooting of around 800 thousand Palestinians from their homeland and turning them into refugees. It also resulted in the establishment of the State of Israel on 78% of the territory of historical Palestine. *Al-Nakba* left its mark on the demographic state of the Palestinian people, and is still felt today.

The Palestinian Central Bureau of Statistics estimated the number of Palestinians in the world at 10 million persons at the end of 2004. A little more than half of them live in the *diaspora* (outside the territory of Palestine under the British mandate). Palestinians outside Palestine are concentrated in Jordan (around 3 million persons) and in Syria and Lebanon (around 0.9 million persons), with the rest dispersed among other Arab countries and around the world. Around 4.9 million people live on the historical territory of Palestine distributed as follows: 2.372 million in the West Bank, including 247 thousand persons living in that part of Jerusalem which Israel annexed after the June 1967 War, 1.390 million in the Gaza Strip, and 1.1 million inside the Green Line.

Figure 1: Distribution of Palestinians according to Place of Residence –End 2004



Source: Palestinian Central Bureau of Statistics, 2005. Special Report on 57th Anniversary of *Al-Nakba*, Ramallah, Palestine

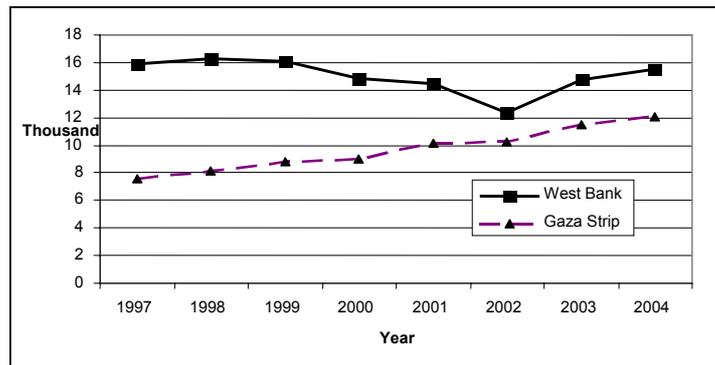
The Palestinian refugees according to UNRWA's definition (i.e. Palestinians who left their homeland in 1948) constitute nearly half the total number of Palestinians. Refugees and their descendants constitute 43% of Palestinians in the West Bank and Gaza Strip, and nearly 16% of Palestinians who remained in their homeland inside the Green Line.

Palestinians constitute more than 45% of the present inhabitants of historical Palestine. This means that Palestinians still constitute an important demographic force in Palestine more than a century after the beginning of Zionist colonisation of the country, which was accompanied by uprooting Palestinians and the application of policies aiming at evicting them and attracting Jews. Population figures indicate the likelihood that in the foreseeable future (around the year 2020) Palestinians may again become the majority. This is due to the high natural population growth among Palestinians and the drying up of sources of large scale Jewish immigration. These factors constitute an important driving force for Israeli policy in this area.

1-2 Marriage and Divorce in the West Bank and Gaza Strip

In the middle of 2005 the Palestinian Central Bureau of Statistics published data concerning marriage and divorce in the West Bank and Gaza Strip for the year 2004. The number of newly-registered marriage contracts in the Palestinian territories amounted to 27,634, 56% of them in the West Bank and 44% in the Gaza Strip. Data showed a decline in the number of marriages in the West Bank during the first years of the *Intifada*, and although it increased during the two years 2003-2004 it is still below the level prior to *Intifada*. In the Gaza Strip marriages continued to increase all through the period 1997-2005 (See Figure 2).

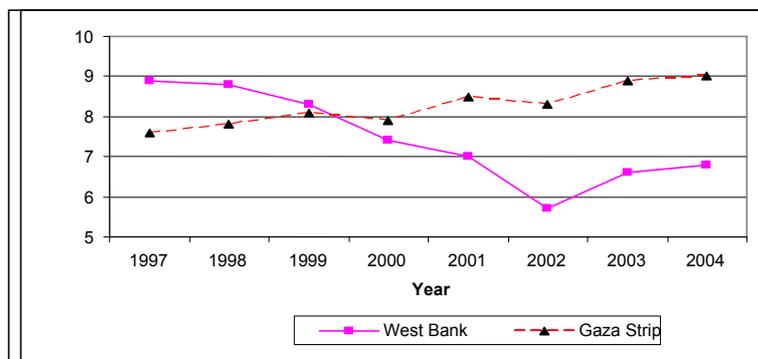
Figure 2: Registered Marriage Contracts in West Bank and Gaza Strip 1997-2004



Source: Palestinian Central Bureau of Statistics, 2005, Marriage and Divorce in Palestinian Territories, 2004. Quoted from the Bureau's Website

Data reveal an increase in crude marriage rates (number of marriage contracts per 1,000 inhabitants at the middle of the year) in the Palestinian territories. This rate was 7.6% compared to 7.5% in the previous year, but it still remains below the level on the eve of the *Intifada*. In the West Bank the rate had dropped during 1997-2002, and although it picked up during the following two years it is very much below the level prior to the *Intifada*. However, there was a steady increase in the rate of crude marriages in Gaza all through the period 1997-2004. (See Figure 3)

Figure 3: Crude Marriage Rates in West Bank and Gaza Strip 1997-2004



Source: Palestinian Central Bureau of Statistics, 2005, Marriage and Divorce in Palestinian Territories, 2004. Quoted from the Bureau's Website.

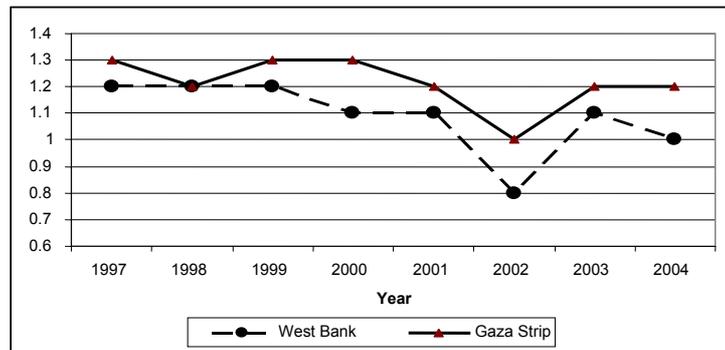
Data indicate the continued widespread practice of early marriage in the Palestinian territories, especially among females. The median age of women at the time of the first marriage in the West

Bank and Gaza Strip was 19.3 years in 2004 (19.5 years in the West Bank and 19.1 years in the Gaza Strip). The median age of males at the time of first marriage was 24.6 years (25.1 years in the West Bank, and 24.0 years in the Gaza Strip). Governorate wise, the lowest median age recorded at the time of the first marriage for females was in North Gaza Governorate (18.2 years), and the highest median age recorded was in Jericho Governorate (20.4 years). As regards males, the lowest recorded median age was in North Gaza Governorate (22.7 years) and the highest was in Tulkarm Governorate (26.7 years). Data also reveal that 3.3% of girls whose marriage was registered in 2004 were less than 15 years of age.

Divorce data reveal that a slight rise in divorce cases occurred in the Palestinian territories during 2004 compared to the previous year. There were 3,961 cases of divorce in 2004 compared to 3,909 in 2003.

As regards the crude divorce rate (the number of divorce cases per 1000 persons at mid-year), Figure 4 shows a decline in the West Bank during 2004 compared to the previous year and stability in Gaza. It is noted that the crude divorce rate in Gaza is higher than in the West Bank.

Figure 4: Crude Divorce Rates in West Bank and Gaza 1997-2004



Source: Palestinian Central Bureau of Statistics, 2005, Marriage and Divorce in Palestinian Territories, 2004. Quoted from Bureau's Website

Registered divorce cases reveal that crude divorce rates were highest in Ramallah and Al-Bireh Governorate (1.7 divorce cases per 1,000 inhabitants). The lowest rate was in Jerusalem and Bethlehem Governorates (0.7 divorce cases per 1,000 inhabitants). Divorce data reveal that 28% of divorced women in 2004 were under 20 years of age, which supports the conclusion that early marriage is one of the main reasons for divorce in the Palestinian territories.

2- Infrastructure

2-1 Building Permits

Comparison of quarterly statistics for building permits can be made in two ways. In the first, comparison is made between changes during two consecutive quarters (the method we followed in the previous issue of the **Quarterly Monitor**); in the second method, comparison is made between the changes in indicators for a quarter of a given year and those of the same quarter during the previous year. Despite the importance of the first method in monitoring changes that occur over two consecutive quarters, it does not take into consideration the big effect of seasonal factors - the climate and the weather - on basic indicators in the construction sector. There is a natural increase in activities connected with the building and construction sector during summer (i.e. during the

second and third quarters) and a decline of in winter (i.e. during the first and fourth quarters). We have decided to use the second method in this issue in order to neutralise this seasonal influence.

Data regarding building permits indicate a 12% increase during the first quarter of 2005 compared to the same quarter in 2004, with 1,267 permits issued. However, this is still 66% lower than during the first quarter of 2000, i.e. prior to the outbreak of the second *Intifada*. Permits for new constructions constituted 62% of the total number issued in the first quarter of 2005, while permits for extensions to existing licensed buildings constituted 19% of the total.

The total area of buildings licensed during the first quarter of 2005 was nearly 546.8 thousand square meters, a 24.8% increase compared to the first quarter of the previous year. However, this remains less than the area licensed in 2000, which was 661.8 thousand square meters.

The area of newly-licensed buildings was divided between new ones (476.3 thousand square meters), and already existing areas (70.5 thousand square meters). This exceeds the figures for the first quarter of 2004 by 23.2% for new buildings and 37.2% for existing ones.

New buildings for living purposes constituted 77.5% of the area, while the percentage for non-living purposes constituted 22.5%. New areas in existing buildings was divided 75% for living purposes and 25% for non-living purposes. (See Table 1)

Table 1: Some Indicators Concerning Building Permits and Licensed Areas in Rest of West Bank and Gaza Strip for 2000, 2004 and 2005

Indicator	Licensed Area (1000m2)		
	Q1 2000	Q1 2004	Q1 2005
Total area of licensed buildings	661.8	438	546.8
New Areas	551.7	386.6	476.3
Residential buildings	413.2	314	369
Non-Residential buildings	138.5	72.6	107.3
Existing Areas	110.1	51.4	70.5
Residential buildings	101.8	38.1	52.9
Non-Residential buildings	8.3	13.3	17.6

Source: Building Permits Statistics, First Quarter 2005. Palestinian Central Bureau of Statistics

2-2 Import of Cement

Factors that affect building permits are similar to those which govern the quantity of cement imported, so for purposes of analysis and comparison we will compare the data for the first quarter of 2005 with those of the first quarter of 2004.

The relative increase in building permits and areas of buildings licensed during the first quarter of 2005 were positively reflected in the import of cement to the Palestinian territories during that period. Data reveal an increase of 33.4% in the quantity imported during the first quarter of 2005 compared to the first quarter of 2004, amounting to 305.5 thousand tons. 65% of the cement (198.9 thousand tons) was imported to the West Bank, which is 60.5% more than during the first quarter of the previous year. 106.6 thousand tons were imported to the Gaza Strip, a more modest increase (1.4%) over the same period. (See Table 2)

Table 2: Quantity of Cement Imported to the Palestinian Territories during the First Quarters of 2003-2005 (thousand tons)

Period	Palestinian Territories	West Bank	Gaza Strip
Q1 2003	170.5	86.9	83.6
Q1 2004	229.1	124	105.1
Q1 2005	305.5	198.9	106.6

Source: Imported Cement Statistics, Palestinian Central Bureau of Statistics, 2005.

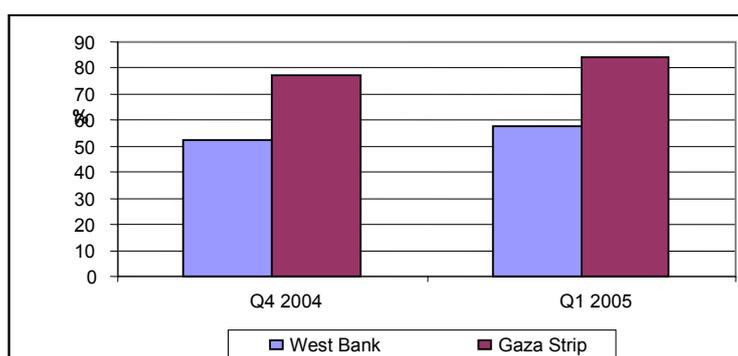
3- Living Conditions and Standards

Despite the limited improvement in some indicators related to standards of living during the first quarter of 2005 compared to the fourth quarter of 2004, they still remain much below what they were on the eve of the *Intifada*. Political and economic conditions still cast their negative shadow on the living standards of Palestinian families. Data revealed that poverty rates are high, and that levels of Palestinian families' income and consumption continue to be low.

3-1 Poverty

Data for the first quarter of 2005 show an increase in the percentage of families living below the poverty line in the Palestinian territories. The percentage of such families reached 67% of the total, according to statements by the families themselves concerning their income, 6% higher than during the fourth quarter of 2004. The increase occurred in both the West Bank and Gaza Strip, as shown in Figure 5. It is notable that the poverty rates continue to be markedly higher in Gaza than in the West Bank.

Figure 5 Percentage of Palestinian Families Living Below Poverty Line, According to Region, Fourth Quarter 2004 and First Quarter 2005



Source: Palestinian Central Bureau of Statistics, 2005, Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families, 12th Round (January-March 2005)

Seventy percent of families in the Palestinian territories stated that they needed assistance during the first quarter of 2005 (69% in the West Bank and 72% in the Gaza Strip). The percentage of such families also increased in comparison with the fourth quarter of 2004. (See Table 3)

Table 3: Percentage of Families Stating They Required Assistance, According to Region, Fourth Quarter 2004 and First Quarter 2005 (%)

Period	Q1 2004	Q1 2005
Palestinian Territories	67.5	70.2
West Bank	66.7	69.4
Gaza Strip	68.9	72.0

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families, 12th Round (January-March 2005)

The percentage of families which stated that they reduced their spending during the first quarter of 2005 remained at 58%. Table 4 shows that the overwhelming majority of these families reduced their spending on basic necessities, especially food and clothing. The list of foodstuffs affected by the reduction of spending included meat, fruits and milk.

Table 4: Palestinian Families that Reduced Spending on Basic Necessities during Second Quarter 2004 and until End of First Quarter 2005

Percentage of families who reduced their spending in general	58.2%
Percentage of these families who reduced their spending on:	
Food	89.5%
Clothes	96.9%
Education	57.4%
Health	67.6%
Home	82.9%
Travel and Recreation	80.7%

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families, 12th Round (January-March 2005) Ramallah-Palestine

On the other hand, data revealed a limited improvement in the income of Palestinian families during the first quarter of 2005, compared to the previous quarter. Table 5 also shows a decrease in the number of families that stated that their income was less than half what it used to be prior to the *Intifada*. However, this only occurred in the West Bank, while it increased in the Gaza Strip.

Table 5: Percentage of Families whose Income was less than half what it was before the *Intifada*. According to Region, Fourth Quarter 2004 and First Quarter 2005

Period	Q1 2004	Q1 2005
Palestinian Territories	55.3	53.9
West Bank	54.9	51.8
Gaza Strip	56.1	57.7

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families, 12th Round (January-March, 2005), Ramallah- Palestine

The percentage of families stating that they can not endure for more than a year increased. However, the percentage of families stating that they currently suffered from a highly dangerous economic situation and did not know how to assure their basic needs fell during the first quarter of 2005.

Table 6: Percentage of Families Able to endure for more than One Year, and Families Experiencing Hardship Conditions, Fourth Quarter 2004 and First Quarter 2005

Region	Q1 2004	Q1 2005
Percentage of families able to endure for more than one year		
Palestinian Territories	22.2	27.2
West Bank	16.9	22.1
Gaza Strip	32.7	37.1
Percentage of families experiencing hardship conditions and unable to meet basic needs		
Palestinian Territories	15.1	9.8
West Bank	14.4	9.5
Gaza Strip	16.5	10.4

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Condition of Palestinian Families, 12th Round (January-March 2005) Ramallah - Palestine

3-2 Coping Strategies of Palestinian Families

Data for the first quarter of 2005 reveal that Palestinian families in the West Bank and Gaza Strip basically depend on their income to ensure their economic survival. More than half of Palestinian families stated that they resorted to deferring payment of bills, borrowing, and to squeezing expenses in order to be able to exist economically. Such measures have a direct effect on lowering the quality and quantity of goods and services consumed by these families. They also increase future burdens, particularly with regard to accumulation of debt and draining of wealth. A big percentage of Palestinian families also stated that they resorted to cultivating land and breeding animals to be able to withstand the situation, or to asking for assistance from friends. These two coping strategies have no negative economic effects in the long term. Data do not include indications of the amount such methods contribute to supporting the steadfastness of Palestinian families. Data only indicate whether Palestinian families have resorted to one of the different methods to cope during the last 12 months.

Table 7: Measures Taken by Palestinian Families to Cope Economically During Second Quarter 2004 until First Quarter 2005

Measure	Families (%)
Depending on family income	81.9
Postponing paying bills	67.2
Reducing expenditures	58.4
Borrowing from others	53.1
Selling jewellery	25.2
Using savings	18.4

Measure	Families (%)
Receiving assistance from family and friends	21.4
Planting and animal care	15.8
Getting a loan	7.7
Extra individuals joining the labour market	5.1
Students in the family joining the labour market	4.0
Selling land or property	2.1
Selling home furniture and durable goods	2.7
Using savings in Israeli saving funds	0.8

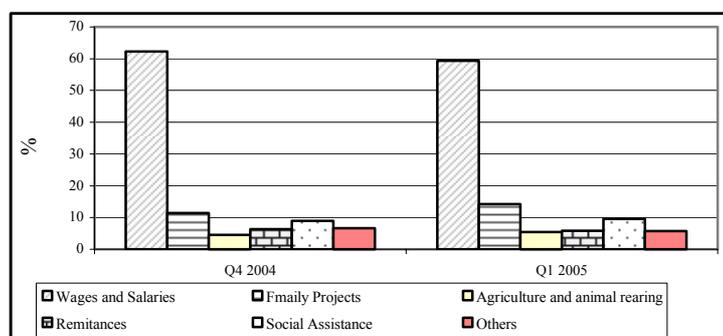
Source: Palestinian Central Bureau of Statistics 2005. Survey of Israel Measures' Effect on Economic Conditions of Palestinian Families, 12th Round (January-March 2005)

Note: Lately Palestinian families have resorted to more than one method at the same time.

Data concerning the main sources of Palestinian families' income indicate that a high percentage of them rely on social assistance. One family out of every ten said that its main source of income was social assistance. In addition, 5.8% of families basically depend for their income on internal or external transfers. The percentage of families that depend on social assistance and transfers in the Gaza Strip exceeds that in the West Bank. 15% of Gazan families (against 7% in the West Bank) said that social assistance constitutes their main source of income. 11% of families in Gaza (against 3% in the West Bank) said that money transfers were the main source of their income.

Figure 6 shows a decrease in the percentage of families that stated that their salaries and wages constituted the main source of their income, as against an increase in the percentage of families that stated that social assistance or the family business constituted their main source of income. The percentage of families that depend on government salaries and wages or on wages and salaries from the local private sector declined, while a slight increase occurred in the percentage of families that depended on wages from the Israeli economy (9.4% during the first quarter of 2005 as against 9.0% in the fourth quarter of 2004). These figures are matched by an increased dependency of Palestinian families on income from business in the informal sector (19% during the first quarter of 2005 against 16% during the fourth quarter of 2004). It can be deduced from the above-mentioned facts that the poorest families in Palestinian society remain incapable of meeting their needs by themselves. On the other hand, some improvement occurred in the mechanism of social assistance distribution, which allows the assistance to cover a bigger percentage of the families most in need.

Figure 6: Distribution of Palestinian Families according to Main Source of Income, Fourth Quarter 2004 and First Quarter 2005



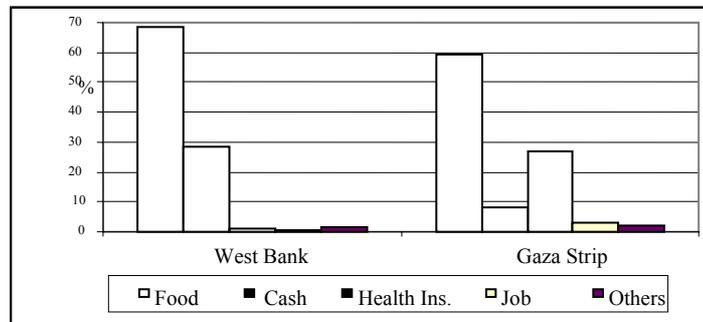
Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israel Measures' Effect on Economic Conditions of Palestinian Families: 12th Round (January-March 2005)

3-3 Social Assistance

35% of families in the Palestinian territories stated that they received social assistance during the period January to March 2005 (23% of families in the West Bank and 58% of families in the Gaza Strip). The majority of those families (62%) received assistance once only, 26% of families received assistance twice and 12% received it 3 times or more. These percentages differ between the West Bank and the Gaza Strip. The percentage of families in the West Bank which received assistance more than once was 25%, while in the Gaza Strip it was nearly 50%.

Table 8 reveals a big increase in the percentage of families that received social assistance during the first quarter of 2005, compared to the previous quarter. The percentage of assistance in the form of foodstuffs, health insurance and employment assistance increased, while cash assistance fell sharply. Data reveal differences between the West Bank and Gaza Strip with regard to the type of assistance provided, as can be seen in Figure 7. The decline in the relative importance of cash assistance and the increase in the importance of health insurance and employment assistance were more noticeable in the Gaza Strip than the West Bank.

Figure 7: Type of Social Assistance in West Bank and Gaza Strip, First Quarter 2005



Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families: 12th Round (January-March 2005)

Table 8: Social Assistance in Palestinian Territories, Fourth Quarter 2004 and First Quarter 2005 (%)

	Q1 2005	Q1 2004
Percentage of people who received assistance	34.8	22.0
Percentage of people who received assistance once	62.0	60.3
Percentage of food assistance	63.1	56.1
Percentage of cash assistance	15.9	26.8
Percentage of health Insurance assistance	17.0	4.2
Percentage of employment assistance	2.1	1.9
Others	1.9	11.0
Assistance less than 200 NIS	35.0	53.1
Assistance between 200-299 NIS	20.4	14.5
Assistance more than 300 NIS	44.6	32.5

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families: 12th Round (January-March 2005)

Data contained in Table 8 show an improvement in the value of assistance provided to families. The percentage of families receiving assistance to the value of 200 Shekels or more increased during the first quarter of 2005, compared to the fourth quarter of 2004. This conclusion is

supported by the median value of assistance¹, which rose to US\$34 for foodstuffs assistance during the first quarter of 2005 (against US\$22 during the fourth quarter of 2004), and US\$69 for assistance in cash during the first quarter of 2005 (against US\$67 in the fourth quarter of 2004).

The majority of Palestinian families receiving social assistance expressed their satisfaction with it. Only 1 in 5 families receiving assistance voiced dissatisfaction.

As regards the sources of social assistance in the Palestinian territories, UNRWA took first place by providing 41% of assistance distribution rounds. It was followed by institutions of the Palestinian National Authority (21%), and trade unions (18%). Other international and local organisations provided 11% of assistance distribution rounds, while family, next of kin, friends and neighbours provided 9%.

As regards the value of the assistance, that provided by family and next of kin was best with a median value of US\$69. Assistance provided by UNRWA and charitable institutions were of a higher value than those provided by the Ministry of Social Affairs and *Zakat* committees (US\$46 against US\$34 respectively).

3-4 Family Spending and Consumption

In May 2005 the Palestinian Central Bureau of Statistics published a report on Palestinian family spending and consumption for the year 2004². Results of the Survey showed that average family monthly spending was 535 Jordanian Dinars in the Palestinian territories (554 Dinars in the West Bank and 498 Dinars in the Gaza Strip). Average monthly family consumption in the Palestinian territories was 601 Jordanian Dinars (631 Dinars in the West Bank and 540 Dinars in the Gaza Strip).

Compared to average monthly family spending in 1998, the figures reveal a decline in average nominal spending of 2.2% (around 12 Dinars) between then and 2004. When taking into consideration the increase in prices of goods and services, the figures represent a decline of 27% in living standards between 1998 and 2004.

Table 9 shows the distribution of monthly family spending and consumption in urban and rural areas and refugee camps.

Table 9: Monthly Family Spending and Consumption in Urban and Rural Areas and Refugee Camps for 2004

	Refugee Camps	Rural Areas	Urban Areas
Average monthly expenditure (JD)	490	503	568
Average monthly consumption (JD)	541	582	629
Percentage difference between expenditure and consumption	10	16	11
Percentage of expenditure compared to Urban Areas	86	89	100
Percentage of consumption compared to Urban Areas	86	93	100

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Israeli Measures' Effect on Economic Conditions of Palestinian Families: 12th Round (January-March 2005).

¹ That is the value of assistance that divides families receiving assistance into two equal groups, i.e. half which received that amount or less, and the other half which received that amount or more.

² The Palestinian Central Bureau of Statistics conducted a survey regarding family spending and consumption in the Palestinian territories during the period 14/1/2004 to 15/1/2005. The number of families included in the survey was 3,098 families; 2,060 in the West Bank and 1,038 in the Gaza Strip.

The following observations can be deduced from the table of the distribution of monthly family spending and consumption:

- The average monthly family consumption exceeds average spending, especially in the countryside. This is an expected fact, as the percentage of families consuming their personal produce in the countryside is higher, in addition to the fact that residences in the countryside are as a rule owned by the family.
- Spending levels are highest in urban areas, followed by the countryside and then refugee camps. The average family spending in the countryside is 11% less than in urban areas, while the average family spending in refugee camps is 14% less than that of a family in urban areas.
- Family consumption data are in conformity with those of spending, with the average monthly family consumption in urban areas higher than that in the countryside and refugee camps. The refugee camps' average monthly consumption is 14% less than that of families in urban areas, while that in the countryside is only 7% less.

Table 10 shows varying degrees of decline during the period 1998-2004 in Palestinian families' spending on food, clothing, entertainment, culture and education, and increases on housing, house furnishing and equipment, medical care, transport and personal care. This shift is partially due to conditions imposed by the Israeli blockade on the Palestinian territories. This has resulted in a general decrease in spending, as well as in an increase in the cost of some necessary goods and services (especially transport). These results are in conformity with the surveys of the effect of Israeli measures on the economic conditions of Palestinian families, which indicate that families resort to decreasing spending on food and clothes as important coping strategies.

Table 10: Level of Monthly Family Spending on Essential Groups of Goods in Palestinian Territories, 1998 and 2004

Item	2004 Distribution (%)	1998 Distribution (%)	2004 (NIS)	1998 (NIS)	Difference 1998 / 2004 (NIS)
Food	36.1	40.2	193	220	-27
Clothes	6.5	8.4	35	46	-11
Home	9.9	7.3	53	40	13
Accommodation	6.0	5.5	32	30	2
Health Care	5.4	3.8	29	21	8
Transportation and Communication	12.9	10.1	69	55	14
Education	3.4	3.5	18	19	-1
Recreation and Culture	2.4	3.1	13	17	-4
Personal Care	2.4	2	13	11	2
Other Commodities	15.0	16.1	80	88	-8
Total	100	100	535	547	-12

Source: Palestinian Central Bureau of Statistics, 2005. Survey of Family Spending and Consumption, 2004. Press Conference on Results of Survey (15/1/2004 -14/1/2005)

3-5 Housing Statistics

Data from the Palestinian Central Bureau of Statistics, published in mid-June 2005, indicate an improvement in housing conditions in the Palestinian Territories during 2004. The housing density improved to become 1.8 persons per room, against 1.9 persons and 2.1 persons per room in 2003

and 2002 respectively. Overcrowding is slightly higher in the Gaza Strip than in the West Bank (1.9 persons per room in the Gaza Strip; 1.8 in the West Bank).

Data also revealed that refrigerators, TVs, washing machines, and cooking gas burners are items that can be found in the overwhelming majority of Palestinian homes. Data contained in Table 11 show that satellite dishes, fixed telephones and mobiles (local mobiles and Israeli ones) are less widespread. As such goods are widely used by various groups, no special status or social privileges are attributed to their possession. But possession of other goods, such as cars, videos, computers, and internet connections at home, remains limited, and is directly related to the family's financial circumstances.

Table 11: Percentage of Palestinian Families Owning Durable Goods According to Type of Goods and Regions, 2004

Commodity	Region		
	Palestinian Territory	Gaza Strip	West Bank
Private car	26.4	14.5	32.4
Refrigerator	92.9	90.4	94.1
Solar panels	72.6	76.2	70.7
Jawwal	37.7	51.1	31.0
Israeli Mobile	42.3	14.4	56.4
Gas Oven	98.7	98.7	98.7
Washing Machine	89.6	89.3	89.7
Home library	21.5	21.9	21.3
Television	93.2	90.0	94.8
Video	20.1	10.7	24.9
Computer	24.3	19.6	26.7
Telephone	40.6	36.3	42.8
Satellite	66.9	65.4	67.6
Internet	7.5	5.1	8.7

Source: Website of Palestinian Central Bureau of Statistics, 15/6/2005

Table 11 shows the gap between the West Bank and Gaza Strip with regard to the possession of most goods, especially those that are related to the level of income (like cars, videos and computers). Data also show the existence of big differences in mobile telephone subscription distribution between the West Bank and Gaza Strip. While more than half Palestinian families in the Gaza Strip use Jawwal mobiles (the Palestinian Communications Company), 56% of families in the West Bank use the services of Israeli-based mobile companies.

4- Labour and Wage Market

4-1 Labour Force

Labour force data for the first quarter of 2005 reflect a slight decline in participation rates, falling to 39.7% from 41.1% during the fourth quarter of 2004. This decline was entirely due to participation in the West Bank falling from 43.4% to 41.4%. No change occurred in the Gaza Strip, where it remained at 36.6%. Put another way, 60.3% of individuals 15 years of age and

above remained outside the labour force during the first quarter of 2005, compared to 58.9% during the fourth quarter of 2004. 49.2% of them remained outside the labour force because of involvement in household work, 33.6% because of studies and training, and 11.9% because of old age or sickness.

The local economy absorbed 526 thousand workers, or 89.8% of the total number of Palestinian workers. They were distributed 26% in the public sector and 74% in the private sector. Workers in the public sector constituted around 17.7% of the total number of workers in the West Bank and 37.5% of the total number of workers in the Gaza Strip.

The percentage of male and female wage earners among Palestinian workers increased during the first quarter of the current year, reaching 61.0% of the total number of workers as against 57.3% in the fourth quarter of 2004. The increase occurred after a continuous decline in this percentage since 2002. The percentage of wage earners in the Gaza Strip (67.2%) exceeds that of the West Bank (58.6%). This is due to several factors, most important of which is the relatively high number of unpaid workers in the agricultural sector, which is centred in the West Bank. In addition, around 28.3% of workers in the West Bank are self-employed and receive no wages for that work, while the percentage of such workers in the Gaza Strip does not exceed 23.1%. Another factor is the high percentage of workers in the public sector in the Gaza Strip (37.5%) compared to the West Bank (17.7%). Compared to the figures of the fourth quarter of 2004, data of the first quarter of 2005 show an increase in the proportion of female wage workers from 61.9% to 63.3% of the total number of women workers. The percentage among males was 60.6%

The number of persons working without wages was around 228 thousand workers, or 39.0% of the total number of workers. These are composed of family members who receive no wages, self-employed individuals and employers. Members of the family who receive no wages constituted 21.0% of the total number of workers without pay. That percentage is higher among females, reaching 65.7% as against 13.0% among males. 68.9% of workers without pay are self-employed (75.6% among males and 31.4% among females). Employers constituted the remaining 10.1%, the majority of them males. The percentage of female employers accounted for only 2.9% of the total number of women working without pay.

4-2 Distribution of Palestinian Workers in the Palestinian Territories according to Economic Activity

The contribution of the agricultural sector to employment of the labour force declined in the first quarter of 2005, to reach 13.3%. This is attributed to the end of the olive season, which had raised its contribution to 19.3% during the fourth quarter of 2004. The effect of the olive season is most noticeable in the West Bank, where the percentage of those employed in agriculture declined from 22.7% to 14.4%. Other economic sectors increased their contribution to employment during the first quarter throughout the Palestinian territories. Data indicate increased contribution of the industrial sector to employment (from 11.5% to 12.5%), of the construction sector (from 11.6% to 13.4%), and of the commerce, restaurants and hotels sector (from 17.8% to 18.8%).

4-3 Palestinian Workers in the Israeli Economy

There are estimated to be 60 thousand Palestinians working in Israel and the settlements, nearly all of whom are from the West Bank. This constitutes 10.2% of the total number of Palestinian workers during the first quarter of 2005, up from 8.1% during the fourth quarter of 2004.

Palestinian workers in Israel and the settlements are unevenly distributed between the different economic sectors. The construction and building sector absorbed 43.9% of Palestinians working in Israel during the fourth quarter 2005, increasing from 37.2% in the fourth quarter of 2004. The

commerce, restaurants and hotels sector occupied second place in employment of Palestinians working in Israel, with 18.3% of workers employed by this sector. This is lower than in the fourth quarter of 2004, when it was 22.5%. The other sectors also experienced varying degrees of decline in employment of Palestinian workers. The contribution of the agricultural sector to Palestinian workers' employment in Israel declined from 8.7% to 7.1% and the industrial sector's from 18.1% to 17.4%.

4-4 Unemployment

The overall rate of unemployment rose from 25.7% during the fourth quarter of 2004 to 26.3% in the first quarter of 2005. The West Bank was entirely responsible for the increase, where the rate of unemployment rose to 22.6% compared with 21.4% during the fourth quarter of 2004. In the Gaza Strip the rate actually fell - down from 35.2% to 34.0%. That the level of unemployment in the Palestinian territories is rising, despite the fact that the number of Palestinians employed in Israel increased by more than 11 thousand workers, indicates a noticeable decline in the ability of the local economy – especially the West Bank's - to absorb the surplus Palestinian work force.

The number of unemployed workers was 208 thousand persons, 58.7% of them in the West Bank and 41.3% in the Gaza Strip. The rate of unemployment among males rose during the first quarter of 2005 to become 27.4% from 27.0% in the fourth quarter of the previous year, while unemployment increased among females from 19.7% to 20.2% during the same period.

The burden of unemployment differs with regard to educational achievement. 30.7% of those who finished only one year to six years of education were unemployed, compared to 27.2% among those who finished 10 to 12 years of schooling and 21.3% of graduates of universities and institutes of higher education. Interestingly, the rate of unemployment among illiterates is only 11.9%.

Unemployment steadily decreases with age, from 38.2% among those 20-24 years of age (36.1% among males, and 49.0% among females) to 17.5% among persons 50 years of age and above.

4-5 Wages

Slight changes occurred in nominal wage levels in the Palestinian territories during the first quarter of 2005 compared to the fourth quarter of 2004. Statistics reveal a slight decline in the average daily wage of workers in the West Bank, to become 71.1 Shekels compared to 71.7 Shekels during the fourth quarter of 2004. The average daily wage of those employed in Israel and the settlements also declined, to become around 121.8 Shekels compared to 123.2 Shekels during the fourth quarter of 2004. By contrast, the average daily wage of those working in the Gaza Strip rose from 59.5 Shekels to 59.8 Shekels during the same period.

As regards real wages, data indicate a decline in the West Bank by 2.6% during the first quarter of 2005, to become around 48.7 Shekels. They also declined by 1.5% in the Gaza Strip to become 40.9 Shekels. For the second consecutive quarter the biggest decline in real wages was of those working in Israel, falling by 2.9% to become 83.4 Shekels.

The gap between wages in the West Bank and Gaza Strip narrowed further, with incomes in the Gaza Strip constituting around 84% (up from 83% in Q4 2004) of those in the West Bank during the first quarter of 2005. The wages of those working in Israel and the settlements continued to be higher than those in the West Bank and the Gaza Strip, but the difference also narrowed during the first quarter of 2005. The ratio of wages in the West Bank to wages in Israel rose from 58.2% during the fourth quarter of 2004 to 58.4% during the first quarter of the current year, while in the Gaza Strip they rose from 48.3% to 49.0%.

4-6 Women in the Palestinian Labour Force

Participation of women in the labour force noticeably declined during the first quarter of 2005, to become 12.1% compared to 14.6% during the fourth quarter of 2004. This contributed to a decline in the participation rate in the Palestinian territories as a whole. Female participation dropped in the West Bank from 17.3% to 14.1% between the fourth quarter of 2004 and the first quarter of 2005, and from 9.5% to 8.6% in the Gaza Strip. This has resulted in narrowing the gap between the West Bank and Gaza Strip with regard to women's participation in the labour force.

Table 12: Some Selected Indicators concerning Basic Components of the Labour Force in Palestinian Territories during First Quarter 2005

Indicator	Gaza Strip	West Bank	Palestinian Territory
Man Power (15 years and over, 1000)	695	1306	2001
Labour Force (1000)	254	540	794
Labour Force Participation Rate (%)	36.6	41.4	39.7
Male Labour Force Participation Rate (%)	64.2	68.1	66.8
Female Labour Force Participation Rate (%)	8.6	14.1	12.1
No. of Workers (1000)	168	418	586
No. of Unemployed (1000)	86	122	208
Unemployment Rate (%)	34	22.6	26.3
Male Unemployment Rate (%)	34.2	24.0	27.4
Female Unemployment Rate (%)	33.0	16.1	20.2
Outside Labour Force (1000)	441	766	1207
Percentage outside Labour Force (%)	63.4	58.6	60.3
Reason To Stay Outside Labour Force			
Old / Ill (%)	11.5	12.2	11.9
Housework (%)	48.2	49.8	49.2
Studying or Training (%)	36.5	31.9	33.6
Others (%)	3.8	6.1	5.3

Source: Palestinian Central Bureau of Statistics, Labour Force Survey, First Quarter 2005.

Table 13: Distribution of Palestinian Workers in Palestinian Territories according to Region and Economic Activity during First Quarter 2005 (%)

Economic Activity	Total	Israel and Settlements	Gaza Strip	West Bank
Agriculture, Fishing, Forestry	13.3	7.1	13.2	14.4
Mining, Quarrying, and Manufacturing	12.5	17.4	7.3	14.2
Construction	13.4	43.9	9.2	10.2
Commerce, Restaurants, and Hotels	18.8	18.3	14.8	20.7
Transportation, Storage, and Communication	6.2	2.0	5.4	7.3
Services and Other Branches	35.8	11.3	50.1	33.2
Total	100	100	100	100

Source: Palestinian Central Bureau of Statistics, Labour Force Survey, First Quarter 2005.

4-7 Vacant Job Announcements

Beginning with the current issue of the **Quarterly Economic and Social Monitor** we will start monitoring announcements of job vacancies in the three main national daily newspapers: **Al-Quds**, **Al-Ayyam** and **Al-Hayat Al-Jadidah**,³ the purpose being to provide a general view of developments in the Palestinian labour market. Following the number of vacant job announcements is an internationally-used method of monitoring developments in labour market activity, and we will record them on a quarterly basis as an indicator of resurgence / stagnation in the Palestinian labour market. However, one should bear in mind the following points:

- 1) Vacant job announcements in the three mentioned national dailies do not, of course, represent all the vacant jobs in Palestine during a given period. Most vacant jobs and appointments are not advertised in newspapers.
- 2) No law obliges the private sector to advertise vacant jobs in local newspapers, and most are filled without being advertised. However, non-governmental organisations are mostly obliged to abide by the regulations followed by the funding parties, which usually require that they be announced in the newspapers.
- 3) The Civil Service Law stipulates that government departments have to announce jobs, at least within two weeks of the occurrence of a vacancy, in coordination with the General Personnel Department. But Ministries at times fill the vacancy without any advertisements in newspapers and without coordination with the General Personnel Department. In such cases the role of the General Personnel Department is confined to making the necessary administrative measures for the appointment. This means that announcements of vacant jobs in national newspapers do not actually represent all existing government vacancies.⁴

Despite all these shortcomings, monitoring job vacancy announcements in newspapers can help to give a general idea of the labour market, especially when comparing the figures of one month or quarter with another.

Table 14: Number of Vacant Jobs Announced in Three Main Newspapers, Divided by Sectors

	Public Sector	Private Sector	NGOs	Total
March	34	214	101	349 (33%)
April	61	214	67	342 (32%)
May	37	263	82	382 (35%)
Total	132 (12%)	691 (64%)	250 (24%)	1073 (100%)

Source: Collected by MAS from daily newspapers.

Table 14 shows the distribution of job vacancy announcements by various sectors (public sector, private sector and non-governmental organisation). We notice from the table that the total number of vacant jobs announced in the main three newspapers was 1,073 jobs in March, April and May 2005. We also notice that public sector announcements during the three months constituted only 12% of vacant job announcements, compared to private sector announcements which constituted 64% and non-governmental organisations' announcements which constituted 24%. As regards the

³ In 2003 there were 12 licensed newspapers in the Palestinian territories. Among them are three dailies (Al-Quds, Al-Hayat and Al-Ayyam). There are also 6 weeklies and 3 bi-weeklies, in addition to one monthly. (**Social Monitor**, Issue Number 8, Palestine Economic Policy Research Institute, 2005).

⁴ Interview with the Administrative Affairs Officer in the General Personnel Department (5th June 2005). The Officer also referred to the fact that most announcements of vacancies by the Ministries concern jobs in projects and not for permanent government jobs.

distribution of the announcements during the three months, we note that they were fairly stable, ranging between 342 and 382 jobs monthly.

Table 15: Number of Job Vacancies Advertised in Three Main Newspapers, Divided by Educational Qualifications

	Master's and Over	B. A	Diploma	Less than Diploma	Total
March	46	221	67	15	349
April	56	173	72	41	342
May	55	131	94	102	382
Total	157 (15%)	525 (49%)	233 (22%)	158 (15%)	1073 (100%)

Source: Collected by MAS from daily newspapers.

Table 15 shows that more job vacancies advertised required a Bachelor of Arts (BA) degree than anything else. 49% of all announcements during the three months asked for a BA; 22% asked for an institute diploma. An equal number (15%) required only low-level certificates as wanted as Master's degree or higher.

Table 16: Number of Vacant Jobs Announced in Main Three Newspapers, Divided by Sectors and Educational Qualifications

	Public Sector	Private Sector	NGOs	Total
Master's and Over	1 (12%)	102 (14%)	39 (15%)	157
Bachelor's	97 (74%)	249 (37%)	179 (72%)	525
Diploma	18 (14%)	188 (27%)	27 (11%)	233
Less than Diploma	1 (0%)	152 (22%)	5 (2%)	158
Total	132 (100%)	691 (100%)	250 (100%)	1073

Source: Collected by MAS from daily newspapers

Several indicators are revealed by Table 16, which studies the relationship between sectors and educational achievements required in the announcements; most important among them are:

- The percentage of job announcements requiring MA degree and higher is nearly the same in all sectors.
- Most vacant job announcements in the public sector ask for BA degrees (74%). The same is true of the non-governmental organisations (72%). But vacant job announcements in the private sector were distributed evenly among the different educational attainments.
- The percentage of vacant public-sector job announcements that did not require even a relatively low level certificate was less than 1% during the three months. Probably this confirms again what we previously mentioned that a large number of public-sector jobs, especially those not requiring educational qualifications, are not announced in newspapers.

5- Education and Culture

5-1 Education

The illiteracy rate in the Palestinian territories was 7.7% in 2004, according to data on education published in mid-June 2005 by the Palestinian Central Bureau of Statistics. Persons who

completed their post-secondary education constituted 11.9% of individuals above 15 years of age. These figures indicate an improvement in the Palestinians' level of education during the last ten years, as in 1995 the illiteracy rate was 15.7% and the percentage of those who completed post secondary education 9.8%.

Data in Table 17 show the continued presence of a gap between the two sexes in the level of education. Illiteracy rates among females (12.0%) remain higher than among males (3.5%). The percentage of women who obtain more than secondary education qualifications remains lower than that of men. However, there is a narrowing of the gap, as witnessed by the increasing rate of female enrolment in university education.

**Table 17: Palestinians (15 Years and Above)
According to Educational Level, 2004
(Percentage)**

Education Status	Sex		
	Total	Female	Male
Illiterate	7.7	12	3.5
Semi-literate	7.7	7.8	7.7
Elementary	18.5	17.3	19.7
Intermediate	34.8	33.9	35.4
Secondary	19.4	19.1	19.8
Diploma	4.6	4.5	4.8
Bachelor's and Over	7.3	5.4	9.2

Source: Website of Palestinian Central Bureau of Statistics, 15/6/2005

Data revealed a 4.0% increase in the number of schools in the Palestinian territories during the 2004/2005 school year, reaching 2,192. 68% of them are basic (elementary) schools and 32% secondary schools. Most schools are governmental (75.8%), followed by UNRWA schools (12.5%), and private schools (11.7%). The number of kindergartens was 901 during the 2004/2005 school year – an increase of 6.2% over the previous year. All kindergartens, with the exception of three governmental ones, are private.

1,045 thousand students were enrolled in schools during the 2004/2005 school year, which constitutes an increase of 2.6% over the previous year. 89% are enrolled at the basic level and 11% at the secondary level. Most students are enrolled in government schools. Table 18 shows that the increase in the number of students at UNRWA schools is less than half of one per cent. That may be due to the long strike by teachers at UNRWA schools at the beginning of the current school year for better working conditions.

**Table 18: Distribution of Students in Palestinian Territories according
To Sponsoring Party – 2003/2004 and 2004/2005**

Academic year	Government	UNRWA	Private	Total
2003/2004	69.4	24.7	5.9	1,017,443
2004/2005	69.9	24.2	5.9	1,043,935
Percent Increase in Students (%)	3.3	0.4	3.9	2.6

Source: Website of Palestinian Central Bureau of Statistics, 15/6/2005

The number of children enrolled in kindergartens in the Palestinian territories increased by 4.0% to 73,119 during the 2003/2004 school year (71% of them in the West Bank, and 29% in the Gaza Strip). The rate of increase in the West Bank (5.4%) was higher than in the Gaza Strip (1.1%), although overall enrolment rates remain low.

Table 19: Enrolment in Education in Palestinian Territories 2003/2004 and 2004/2005 (%)

	Kindergarten	Elementary level	Secondary level
Male and Female			
2003/2004	29.5	95.2	66.9
2004/2005	29.9	93.2	71.6
Male			
2003/2004	30.1	94.7	63.3
2004/2005	30.6	92.8	67.6
Female			
2003/2004	28.8	95.7	70.7
2004/2005	29.3	93.6	75.7

Source: Website of Palestinian Central Bureau of Statistics, 15/6/2005

The total percentage of enrolment in secondary education improved, and it is noted that the enrolment of females in the various levels of education was better than that of males. The decline in average enrolment at the basic level does not necessarily reflect the existence of a negative trend; it could be due to allowing registration of children below 6 years of age in schools during the previous year.

Dropout rates continued to decline, falling to 0.9% during the 2004/2005 school year from 1.0% in the previous year. It is noted that dropout rates among males are higher than among females (1.0% among males and 0.9% among females). School dropout rates vary according to sex at different educational levels. The dropout rate among males at the basic level (0.9%) is higher than that of females (0.6%), while the dropout rate among females at the secondary level (3.6%) is higher than that of males (2.3%).

Data revealed an improvement in the average student-teacher ratio at Palestinian schools during the 2004/2005 school year compared with the previous year (26.8 students per teacher compared to 27.3). The improvement was seen in government, private and UNRWA schools, but the ratio in private schools (16.7 students per teacher) remained significantly better than in government schools (26.5 students per teacher) and UNRWA schools (33.4 students per teacher).

As for classroom density, data reveal that it continued to increase despite the construction of new schools. The average number of students in a class in the Palestinian territories during 2004/2005 was 35. Classroom crowdedness is higher at the basic level (36 students per class) than at the secondary level (31 students).

5-2 Culture

The Palestinian Central Bureau of Statistics published a report on cultural institutions in the Palestinian territories during 2004. Data indicate the existence of 62 cultural centres active in various fields in the Palestinian territories – 45 in the West Bank and 17 in the Gaza Strip. This is the same number of centres that were operating during 2003 but represents a decline compared to

the 72 centres operating 1999. Around 181 thousand persons either participated in the activities of those centres or visited them. But despite an increase in the number of participants and visitors, the number still remains much lower than prior to the *Intifada* (around 425 thousand persons in 1999). Data also revealed the existence of only 5 theatres in the Palestinian Territories, 4 in the West Bank (one more than 2003), and one in Gaza (one less than 2003). However, spectators at theatre performances rose by a third in 2004, reaching 49 thousand from 36 thousand the previous year. No change occurred in the number of licensed cinemas, of which there are only two – both in the West Bank – although a number of cultural institutions such as the Folk Art Centre and Khalil Al-Sakakini Centre also regularly project films. Data revealed a sharp decline in the number of cinemagoers, from 53 thousand in 2003 to 33 thousand in 2004.

There were 6 public museums in 2004, one fewer than in 2003. Five of them are in the West Bank and the other in Gaza. The number of museum visitors plummeted from 20 thousand in 2003 to 5 thousand in 2004. There were 80 public libraries in the Palestinian territories in 2004, 56 of them in the West Bank and 24 in the Gaza Strip.

The data reflect a great weakness in cultural activities in the Palestinian territories and a noticeably smaller number of cultural institutions. Cultural activities are concentrated in the centre of the West Bank (specifically in Ramallah) and in Gaza city.

Book Fair

The Palestinian Ministry of Culture organised the Sixth Palestine International Book Fair during the period 5-17 March 2005. The Fair constituted one of the most outstanding cultural activities in the Palestinian territories since the outbreak of the second *Intifada* in 2000. The international book fair had become a tradition in the five year period 1996-2000, but had stopped with the renewed violence. At this sixth fair some 50 thousand titles were exhibited by 211 publishing houses and agents from the Arab World and internationally. The Palestinian Ministry of Education and Higher Education bought all the unsold books and will supply them to school libraries.

6- Health

The 2004 report by the Department of Primary Health Care Services in the Ministry of Health stated that it had succeeded in bringing health services to those who needed them in cities, towns and the countryside despite the difficult conditions. This was done in cooperation and coordination with UNRWA, the Palestinian Red Crescent Society, non-government organisations and specialised United Nations agencies (particularly the United Nations Children's Fund, UNICEF).

As regards mother and child health care and family planning, the Department participated in the preparation of a Guide for Primary Health Care, and in the mother and child health-care training programme in Nablus Health Directorate. In addition, it organised other training courses dealing with natal care and sexually transmitted diseases.

The report dealt with obstacles hindering the Department's work, citing among other things: the inability of physicians and nurses in mother and child care centres to reach their work during days of Israeli closures, the low level of follow-up coverage in pregnancy clinics and the inability of pregnant women to reach specialised clinics, a shortage of qualified staff working in mother and child care centres, and lack of equipment in several centres. The report recommended instituting a continuous learning system for people employed in mother and child care centres.

General Anti-Mumps Vaccination Campaign

The Palestinian National Authority organised a general anti-mumps vaccination campaign, which included children 6-8 years old and teachers below 30 years of age. The Palestinian Ministry of Health assured the public of the safety of vaccines, which were provided by UNICEF and are in

conformity with UNICEF laboratory test requirements. The Ministry mentioned that symptoms similar to those of the disease could be detected among a small percentage of persons after vaccination, and that such symptoms could last for few days, but that they were not life-threatening.

Conditions of Elderly Persons

The following is a summary of the most important indicators regarding elderly people in the Palestinian territories:

- There are around 115 thousand persons over 65 years of age in the Palestinian territories. This number is projected to increase by almost 10% to 126 thousand persons by 2010 and by almost 50% (to 172 thousand) by 2020,
- Around one in five families (18.3%) has at least one elderly person in it, and one in eight (12.2%) is headed by an elderly person.
- Only 9.1% of elderly males are widowers but 55.5% of elderly females are widows.
- 9.6% of the total number of participants in the labour force are elderly persons, and 67.0% of elderly working persons are self-employed.
- 81.5% of the total number of elderly people in the Palestinian territories had not completed any level of education while 3.6% of them had obtained an intermediate diploma or higher.
- 49.4% of the total number of elderly persons in the Palestinian territories suffer from chronic diseases, 33.8% of them suffer from high blood pressure, and 19.6% of them suffer from diseases of the joints.
- 8.7% of the total number of elderly persons in the Palestinian territories has at least one handicap, of whom 35.2% have a mobility handicap, 27.3% a sight handicap, and 17.0% a hearing handicap.
- 42.1% of the total number of elderly persons in the Palestinian territories are considered poor, and they constitute 4.9% of the total number of poor persons in the Palestinian territories.

7- National Accounts

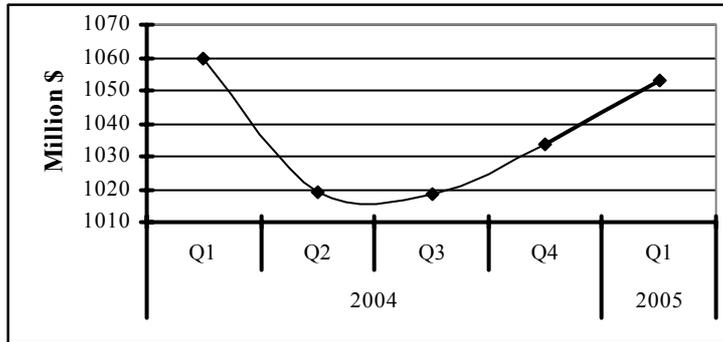
Estimates of national accounts in fixed prices in the rest of the West Bank and Gaza Strip, published by the Palestinian Central Bureau of Statistics, indicate a 1.9% improvement in the Gross Domestic Product (GDP) between the fourth quarter of 2004 and the first quarter of 2005, to reach US\$1,053 million. The services sector continued to contribute the highest share of GDP with 35.8%

Some changes occurred in sectoral contributions to the GDP between the two quarters. The contribution of the agricultural sector dropped to 8.1% and that of the industrial and mining sector to 12.8%, while the share of the haulage, storage and communications sector rose to become 8.0%, and that of wholesale and retail trade to become 10.3%.

A 29.7% increase occurred in the added value of the haulage, storage and communications sector, and in the wholesale and retail sector it rose by 17.2%. The added value of the services and construction sectors remained nearly stable, but in the agriculture sector and the industry and mining sector it retreated by 9.3% and 6.4% respectively.

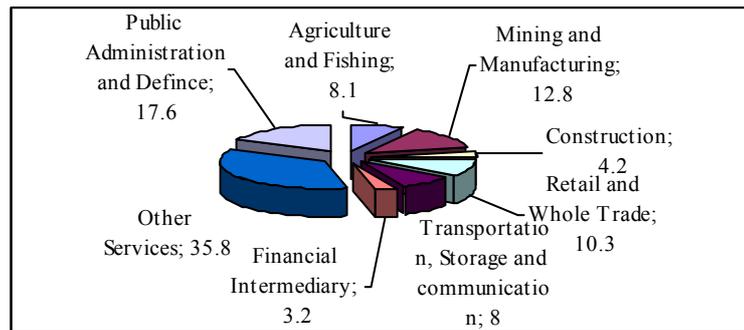
An individual's share of GDP rose by 1.4% over that of the fourth quarter of 2004, to become US\$303.6. However, since inflation stood at 1.9% during the same period, the real value dropped by 0.5%.

**Figure 8: GDP in Rest of West Bank and Gaza Strip
Fixed Prices: 1997 Base Year**



Source: Palestinian Central Bureau of Statistics, Press Announcement of Preliminary GDP Estimates (First Quarter 2005)

Figure 9: Distribution Percentage Wise of Economic Activities' Contribution to GDP in Rest of West Bank and Gaza Strip for First Quarter 2005



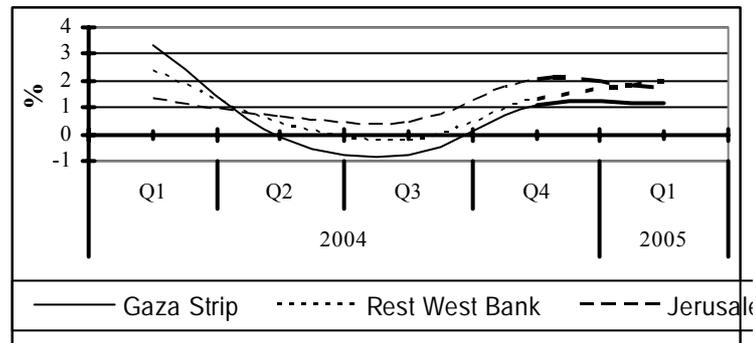
Source: Palestinian Central Bureau of Statistics, Press Announcement of Preliminary GDP Estimates (First Quarter 2005).

8- Prices

The consumer price index issued by the Palestinian Central Bureau of Statistics covers the Jerusalem area, the rest of the West Bank and the Gaza Strip. Statistics for the first quarter of 2005 indicate a rise in the index (measured in Shekels) of 1.9% compared to the fourth quarter of 2004. Foodstuffs caused 74% of the increase, with prices rising by 4%. This was the highest increase compared to other groups of goods in the consumer's basket. The average price of haulage and transport declined by 0.5%. This is attributed a slight easing of the Israeli closures which had severely affected the movement of individuals and goods during the previous months.

In Jerusalem, the average price of consumer goods increased by 1.7% during the first quarter of 2005 compared to the fourth quarter of 2004. 68.5% of the increase was due to a rise in the prices of foodstuffs, which increased by 3%. The price index in the Gaza Strip, by comparison, increased by 1.1% during the same period, with foodstuffs contributing 49.5% of this increase. In the West Bank inflation was 1.9%, with rising prices of foodstuffs contributing 82% of that increase.

Figure 10: Average Inflation in Shekels in Jerusalem, Rest of West Bank and Gaza Strip for First Quarter of 2005



Source: Calculated by MAS from PCBS Data, Consumer Price Index, 2005.

8-1 Purchasing Power

The exchange rate of the US Dollar and the Jordanian Dinar dropped against the Shekel by 2.2% and 2.1% respectively in the Palestinian territories during the first quarter of 2005. Coupled with an increase in the consumer price index, this caused their purchasing power to decline by 2.9% and 3.0% respectively. In the West Bank, the purchasing power of both the US Dollar and the Jordanian Dinar dropped by 3.0%, while in the Gaza Strip both fell by 2.2%.

Table 20: Average Exchange Rate for Jordanian Dinar and US Dollar against Israeli Shekel for First Quarter 2005

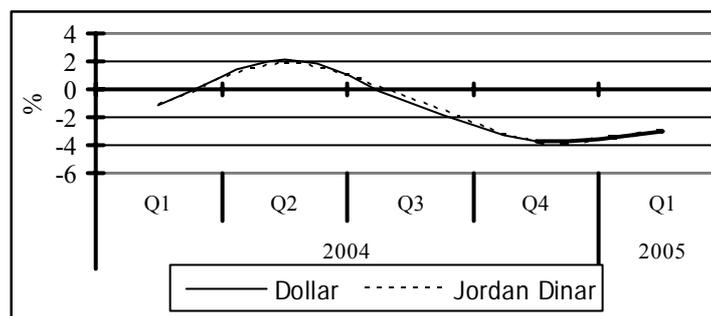
2004	US\$ / NIS	JD / NIS
Q1 2004	4.46	6.28
Q2 2004	4.55	6.40
Q3 2004	4.50	6.35
Q4 2004	4.40	6.22
Q1 2005	4.35	6.15

Source: Palestinian Monetary Authority

Table 21: Development of Purchasing Power of Jordanian Dinar and US Dollar in West Bank and Gaza Strip

Region	Currency	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005
West Bank	\$	-1.16	1.68	-0.78	-3.58	-3.01
	JD	-1.27	1.47	-0.45	-3.44	-3.04
Gaza Strip	\$	-1.99	2.15	-0.28	-3.40	-2.19
	JD	-2.1	1.95	0.05	-3.27	-2.21

Source: Calculated by MAS, based on Data from Palestinian Central Bureau of Statistics, Consumer Price Index and Data from Palestinian Monetary Authority.

Figure 11: Development of Purchasing Power of Dinar and Dollar in Palestinian Territories

Source: Calculated by MAS, based on Data from Palestinian Central Bureau of Statistics, Consumer Price Index and Data from Palestinian Monetary Authority

8-2 Average Prices of Some Consumer Goods and Services

The year 2004 witnessed relative stability of the security situation, compared to previous years, which positively affected the movement of citizens and probably thus the stability of consumer goods' prices. Data contained in Table 22 shows the average prices of some types of common goods in 2004. The data for Jerusalem, the West Bank and Gaza Strip are distributed as follows:

Table 22: Average Consumer Prices for Some Types of Goods for 2004, in Shekels

	Gaza Strip	Middle of West Bank	Jerusalem	Price Unit
Rice	79.4	80.4	78.5	Bag 25 Kg
White Bread	2.0	2.8	3.0	1 Kg
Goat	46.6	42.3	47.1	1 Kg
Beef	28.5	31.7	35.9	1 Kg
Chicken	8.1	9.3	11.5	1 Kg
Dry milk	86.0	86.6	91.4	2.5 Kg
Yogurt	4.9	3.5	3.5	500 Mg
Egg	11.6	12.8	15.1	2 Kg
Olive oil	20.2	16.0	20.0	1 Kg
Tomatoes	2.3	2.3	2.6	1 Kg
Beans	3.8	6.9	9.9	1 Kg
Molokhiya	3.3	3.2	9.2	1 Kg
Lentils	4.1	4.4	5.2	1 Kg
Chick-Peas	5.0	4.7	5.6	1 Kg
Tea	9.1	9.2	10.0	1/2 Kg
Coffee	28.8	28.9	44.6	1 Kg
Cigarettes	8.5	8.5	8.6	20
Gas cylinder	33.4	34.0	48.6	12 Kg Cylinder
Physician Fees	25.0	28.8	37.5	Visit
Gynaecologist Fees	42.0	39.0	87.5	Visit
Teeth extraction	25.0	29.0	50.0	Visit
Jeans	59.2	63.1	102.5	Pair
Men's shoes	250.0	191.3	168.8	Pair

Source: Palestinian Central Bureau of Statistics

The following should be noted:

- These prices are merely general averages for Jerusalem, the West Bank and Gaza Strip. There are undoubtedly big differences in prices between the West Bank Governorates, and even within Governorates themselves between cities and villages. The same applies to the Gaza Strip.
- Average consumer prices for almost all goods were higher in Jerusalem than elsewhere. That is due to their being directly affected by the Israeli economy. Differences can be noted for both tradable goods and non-tradable goods (services). For example, while the average cost of consulting a doctor does not exceed 28.75 Shekels in the West Bank, and 25 Shekels in the Gaza Strip, it reaches 37.5 Shekels in Jerusalem.
- Average consumer prices in the Gaza Strip are lower than elsewhere. This is probably due to the lower level of incomes in the Gaza Strip and the consequently lower standard of living which affects the price average. Where goods cost more in the Gaza Strip is usually because of high transportation costs (for example, al-Jeneidi yoghurt, which is produced in the West Bank, retails there at an average of 3.5 Shekels, while it sells in Gaza for an average of 4.9 Shekels).

9- Public Finance

Article 52 of the Law on Budget Preparation stipulates that the Ministry of Finance should prepare and present a detailed report at the end of every quarter of the financial year to the Council of Ministers and the Legislative Council. The article stipulates that the report should cover financial developments and trends in revenue and expenditure compared to expectations contained in the budget estimates, explain any deviations and propose appropriate correctional measures to restore financial balance.

At the time of writing the Ministry had not presented the required report on the first quarter of 2005 to the Legislative Council. That report would have been the main reference for comparing estimates contained in the 2005 budget with actual data for the first quarter. Due to its absence, in order to determine the conformity of estimates to events during the first quarter of 2005 we were obliged once again to use the monthly reports that are published by the Ministry and posted on its website.

9-1 Revenue

Actual revenue from local sources for the first quarter of 2005 amounted to US\$86.3 million, 4.6% short of estimates in the budget. Local revenue was composed of tax revenue and non-tax revenue, which amounted to US\$53 million and US\$33.3 million respectively. Revenue from the clearing account was estimated to be US\$165.5 million during that quarter, while it actually came to US\$167.4 million (an increase of 1.5%). It was noted from the Ministry reports that the biggest part of revenue from the clearing account was realised during the first month of the year, amounting to US\$110 million, while clearing account revenue did not exceed US\$1.5 million during February. The total amount of revenue realised was US\$252.4 million, while it was estimated in the budget to be US\$264.5 million, a difference of US\$12.1 million or 4.6%.

9-2 Expenditure

A new item was added in the 2005 Budget to current and capital expenditure; this is the Social Welfare Fund. US\$240 million was estimated in the general budget for this item (US\$60 million per quarter). The creation of this item, in addition to increasing spending on other expenditure items, contributed to increasing current and capital expenditure by US\$127 million during the first quarter compared to the fourth quarter of 2004.

On comparing actual expenditure during the first quarter of 2005 with estimates in the budget we notice big deviations. No funding was available for the Social Welfare Fund during the first quarter. At the same time only US\$44.5 million (30%) of estimates in the budget of the allocations for transferable expenditure were spent. If the decline continues in the size of transferable expenditure during the remaining part of the current year, it may negatively impact services provided to marginalised and needy groups in Palestinian society. Actual operational expenditures were also US\$29.7 million less than estimates in the budget, amounting to US\$36 million. In the end, this affects the capability of the ministries and institutions of the Palestinian National Authority to perform their duties properly.

Ordinary capital expenditures were estimated in the budget at US\$5.7 million per quarter, but such expenditure actually amounted to only US\$0.15 million. However, the Palestinian Authority respected its obligations under the salaries and wages item, in which there was very little deviation between estimates and actual expenditure. The item of net borrowing experienced a noticeable increase over budget estimates. Expenditure on net borrowing amounted to US\$59.4 million during the first quarter, an increase of 83% over estimates. This item includes payments by the Authority to the Electricity Generating Company in Gaza and the Israeli Regional Electricity Company for electricity consumed in Gaza which was not directly paid for by consumers.

As regards developmental expenditures funded by grants and aid, they were estimated in the budget to be US\$268 million – US\$67 million for each quarter. This item, however, was not mentioned in the record of actual expenditure. On the other hand, a new item for development projects funded by the treasury appeared, and nearly US\$3.15 million was spent on it during the first quarter. In fact, there was no such special item in the budget, and consequently such expenditure is considered a violation of Article 44 of the General Budget Law, which forbids spending on items that have no financial allocations in the budget.

9-3 Financing

Estimates of foreign grants and aid were rather optimistic in the 2005 budget. They were estimated at more than US\$1,162 million, an average of US\$290.5 million per quarter. The biggest part of the aid is to support the current budget (US\$163.5 million). Actual data indicates that the total amount of aid provided to support this item did not exceed US\$68.7 million, and most of it (US\$58 million) was only realised in March of the current year. Aid provided by the State of Kuwait to support the budget constitutes the biggest part of foreign budget funding – it contributed US\$40 million, or 56.3% of the total amount of foreign aid. It is followed by the State of Qatar, which provided US\$11 million. The World Bank occupied the third place with aid of nearly US\$16.8 from the Emergency Aid Programme and other programmes.

As regards funds transferred by Israel to the Palestinian National Authority from the Palestinian clearing account funds blocked by Israel in past years, the estimates of this item in the general budget was US\$23 million. In fact the Israeli side released US\$20.5 million of those funds during the first month of 2005 and nothing during February or March. As for accumulated government debts to the private sector (net change in arrears), it was estimated in the budget that US\$5.8 million would be paid during the first quarter. The Ministry's monthly reports indicated that debts actually repaid amounted to more than US\$106 million, a more than 1,700% deviation between estimates and actual expenditure. This could be explained in one of two ways: either that the Palestinian National Authority repaid additional debts unknown to it when preparing budget estimates, or that the availability of a financial surplus enabled the Authority to repay known past arrears. In both cases, it is a shortcoming of the general budget, and a failure by those who prepared it to properly estimate revenue and expenditure.

As regards the remaining items of foreign funding (repayment of loans, grants and aid to support development projects, and funding of the Social Welfare Fund), they were not mentioned in the Ministry's monthly reports during the first quarter of 2005.

Table 22: Actual Data of Revenue, Expenditure and Financing during First Quarter 2005, Compared to Estimates in Budget Law for Same Period

Item	Percentage deviation (%)	Actual Q1 2005 (Million \$)	Estimated Q1 2005 (Million \$)
Total public revenues	-4.6	252.4*	264.5
Local revenues	-12.8	86.3	99
Clearance revenues	1.5	167.4	165.5
Total public expenditure	-31.7	379	555
Current and capital expenditures	-23	375.9	488
Wages and salaries	0.07	235.6	234
Operating expenditures	-45.1	36.1	65.8
Transfer Payments	-70.3	44.5	150
Ordinary capital expenditures	-97.4	0.15	5.7
Net lending	82.8	59.4	32.5
Development expenditures financed by donations	-	-	67
Development expenditures financed by budget	-	3.15**	-
Financing	-	27.2	290.5
Grants to support current expenditures	-	68.7	163.5
Financing the social care fund	-	-	60
Grants to support development expenditures	-	-	67
Clearance revenues from previous years	-55.7	10.2	23
Net change in default payments	1729	-106.1	-5.8
Repayment of loans	-	-	-17.2

Source: Website of Ministry of Finance of Palestinian National Authority : www.mof.gov.ps

* This amount represents net revenue after taxes, which amounted to US\$1.39 million during the first quarter of the year

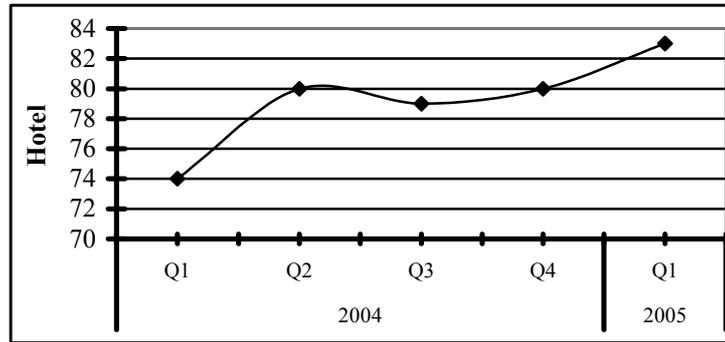
** This item was not mentioned in the budget estimates, while the item concerning development projects funded by grants and aid, to the tune of US\$268 million for the year or an average of US\$67 million per quarter, was mentioned.

10- Tourism

Tourism statistics indicate an overall improvement in the tourism sector during the first quarter of 2005, although progress in Jerusalem and the rest of the West Bank was accompanied by a serious decline in the Gaza Strip. The number of functioning hotels in the Palestinian territories increased by 3 to 83, distributed 47 in the West Bank, 21 in Jerusalem and 15 in the Gaza Strip.

The number of hotel guests in the Palestinian territories increased by 1.8% compared to the fourth quarter of 2004, to reach 24,792 guests. Despite the stability of the number of hotel rooms available in Jerusalem, the number of hotel guests in the city rose by 8.9%. The number of hotel guests in the rest of the West Bank increased by 2.5%. It is worth noting here that the increase occurred only in the southern part of the West Bank, which includes Bethlehem. It declined in the centre of the West Bank, and remained stable in the northern part. A sharp decline in the number of hotel guests, amounting to 74.8%, occurred in the Gaza Strip.

Figure 12: Number of Functioning Hotels in Palestinian Territories



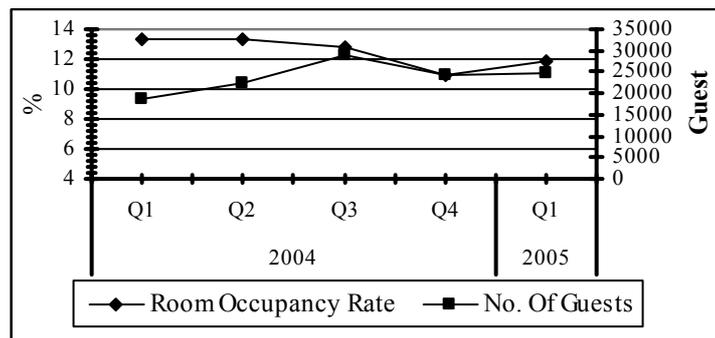
Source: Palestinian Central Bureau of Statistics, Hotel Activities in Palestinian Territories

The number of hotel rooms in the Palestinian territories marginally increased by 41 rooms, to become 3,685 rooms. The increase was in the West Bank, where it amounted to 5.8%, while the number of rooms remained nearly the same in Jerusalem and fell by 14.6% the Gaza Strip.

Reflecting the fact that the number of hotel guests increased at a higher rate than the available rooms the average occupancy rate increased slightly, to become 11.9% compared to 11.0% during the fourth quarter of 2004.

The number of workers in the hotel sector in the Palestinian territories increased by 31 to become 1,280 workers, among them 172 women. 607 employees worked in the West Bank, 361 in Jerusalem hotels, and 312 in Gaza. This is a 10.2% increase in the number of workers in the rest of the West Bank, no change in Jerusalem, and a decline in the Gaza Strip of 7.1%.

Figure 13: Number of Hotel Guests, and Room Occupancy Rate in Hotels Operating in Palestinian Territories



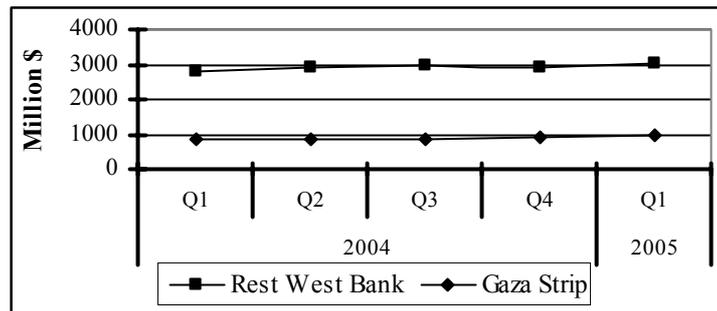
Source: Palestinian Central Bureau of Statistics, Hotel Activities in Palestinian Territories

11- Banks

11-1 Deposits

The total amount of deposits in Banks operating in the Palestinian territories was US\$3,992.5 million during the first quarter of 2005, which constitutes an increase of 0.8% over the fourth quarter of 2004. The increase occurred in the rest of the West Bank and amounted to 1.9%. But a decline of 2.5% occurred in the Gaza Strip. Deposits were geographically distributed 76.2% in the rest of the West Bank and 23.8% in the Gaza Strip (Figure 14)

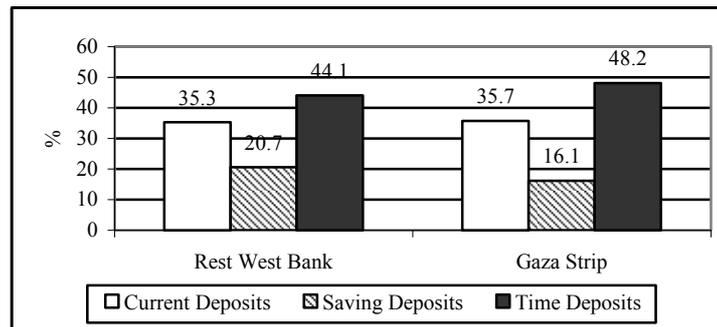
Figure 14: Total Deposits in Rest of West Bank and Gaza Strip



Source: Palestinian Monetary Authority, Monthly Reports January-March 2005.

Current deposits constituted 35.2% of the total deposits in the rest of the West Bank, and 35.7% in the Gaza Strip. Savings deposits made up 20.6% of deposits in the West Bank and 16.1% of deposits in the Gaza Strip. Term deposits dominated the deposits in the rest of the West Bank (44.0%), and in the Gaza Strip (48.2%). (Figure 15)

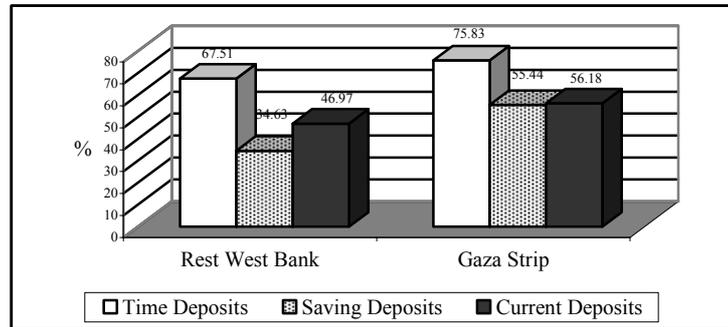
Figure 15: Current Deposits, Savings Deposits, and Term Deposits' Share of Deposits in Rest of West Bank and Gaza Strip – First Quarter 2005



Source: Palestinian Monetary Authority. Monthly Reports-January-March 2005.

The Dollar contributed the biggest share of deposits in the rest of the West Bank and Gaza Strip, making up 53.5% and 65.5% respectively and 56.3% on average. The Dollar also constituted 69.6% of term deposits and 49.2% of current accounts. It is the most common currency used in the banking system, although its share of savings accounts did not exceed 38.7%. (Figure 16)

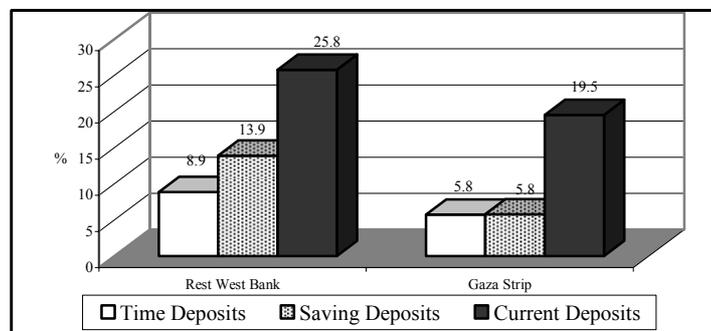
Figure 16: Dollar Contribution to Current Accounts, Savings Accounts, and Term Deposit Accounts in West Bank and Gaza Strip – First Quarter 2005



Source: Palestinian Monetary Authority Monthly Reports – January-March 2005.

The Israeli Shekel's share of the total deposits in banks operating in the West Bank and Gaza Strip was 14.7% during the first quarter of 2005, compared to 14.4% during the previous quarter (15.9% in the rest of the West Bank and 10.7% in the Gaza Strip). On the level of accounts, the biggest contribution of the Shekel was in the area of current accounts with 24.3%, to be followed by savings accounts (12.3%), and finally term deposit accounts (8.1%). The Shekel's high share of current accounts compared to other accounts is attributed to the fact that it is the main currency used in everyday transactions. (Figure 17)

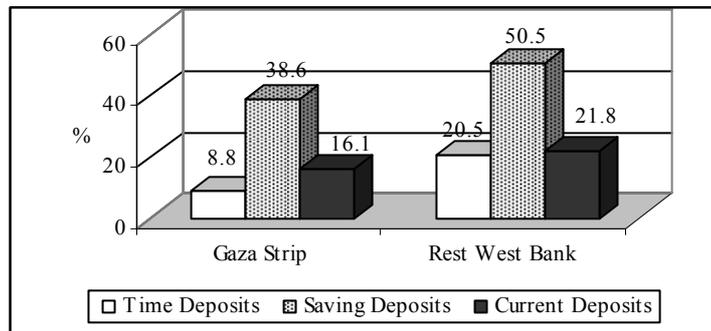
Figure 17: Shekel's Contribution to Current, Savings, and Term Deposit Accounts in Rest of West Bank and Gaza Strip during First Quarter 2005



Source: Palestinian Monetary Authority. Monthly Reports, January-March 2005.

The contribution of the Jordanian Dinar amounted to 24.6% of the total deposits in banks operating in the rest of the West Bank and Gaza Strip (27.2% in the rest of the West Bank and 16.2% in the Gaza Strip). The biggest contribution was to savings accounts, making up 48.2% of their value, followed by current accounts (20.5%) and term deposit accounts (17.5%). The high percentage of Jordanian Dinars in savings accounts can be attributed to the relative stability of the Dinar's exchange rate, which consolidates its role as a good store of purchasing power, and the fact that historically the Dinar was the main savings currency in Palestine. The higher contribution of the Dinar to West Bank deposits compared to the Gaza Strip's is attributed to higher incomes there leading to a greater propensity to save. (Figure 18)

Figure 18: Jordanian Dinar's Contribution to Current, Savings and Term Deposit Accounts in Rest of West Bank and Gaza Strip for First Quarter 2005



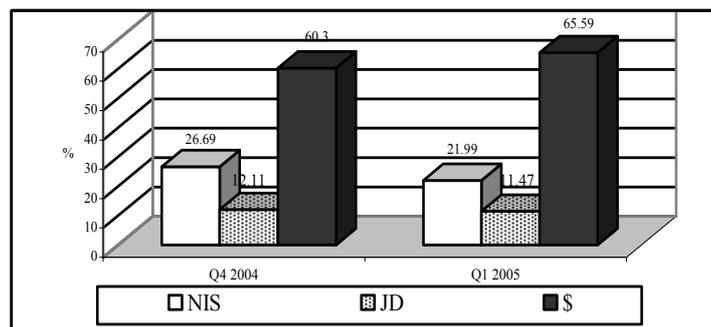
Source: Palestinian Monetary Authority. Monthly Reports. January-March 2005.

11-2 Credit Facilities

Data from the Palestinian Monetary Authority for the first quarter of 2005 indicate a noticeable increase in credit facilities offered by banks operating in the Palestinian territories. Outstanding credit rose by 11.6%, reaching US\$1,584.6 million, with overdrafts increasing by 11.9%. Credit denominated in Dollars rose by 24.3%, Jordanian Dinar loans increased by 4.4%, while the share of the Israeli Shekel retreated by 12.3%.

Outstanding credit granted in US Dollars amounted to US\$1,039.3 million, constituting the highest percentage (65.6%) of the total. Credit in Israeli Shekels amounted to US\$348.6 million, i.e. 22% of the total amount owed. Credits provided in Jordanian Dinars were to the value of US\$181.8 million, or 11.5% of the total. (Figure 19)

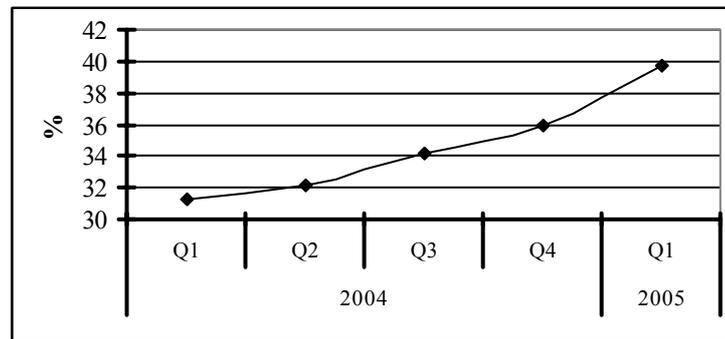
Figure 19: Distribution of Credit Facilities in the Three Currencies



Source: Palestinian Monetary Authority. Monthly Reports, January-March 2005.

Data indicate that the ratio of credit to deposits increased during the first quarter of 2005, to become 39.7% compared to 35.9% during the fourth quarter of 2004. (Figure 20)

Figure 20: Credit Facilities Ratio to Deposits in Palestinian Territories



Source: Palestinian Monetary Authority. Monthly Reports, January-March 2005.

11-3 Discrepancy in Currencies' Exchange Rate

The discrepancy in the exchange rate of a currency is the difference in the selling price and the buying price of a currency in another currency. On 9th May, for example, the buying price of the US Dollar at the Arab Bank was 4.340 Shekels, while its selling price was 4.290 Shekels. This means that the discrepancy between the Dollar and the Shekel was 0.050, or 50 'pip'. 'Pip' stands for 'price interest point' in the currency market, and represents the smallest fluctuation in price for a given currency pair. The more of a currency that is exchanged at one time, the less the discrepancy. For example, the pip will not usually exceed 5 when changing one million dollars or more, but it will be 50 to 200 when changing less than 100 thousand dollars. The discrepancy in exchange rates used by credit card companies amounts to between 200 and 300 pip. These are the rates applied by commercial banks in addition to the commissions they charge. What do high and low discrepancies in currencies' exchange rates indicate?

Low discrepancies in exchange rates indicate important characteristics of foreign currencies markets, among them:

- Market efficiency and sharp competition.
- Low transaction costs (such as salaries and institutional expenses), and low levels of risk and differences in inflation rates.

Starting with this issue of the **Quarterly Economic and Social Monitor** we will follow the amount of discrepancy in exchange rates of the US Dollar, the Jordanian Dinar and the Euro against the Shekel. We will also follow this discrepancy at Palestinian and Israeli Banks, Exchange Bureaus, and informal money changers.

Table 24: US Dollar against Israeli Shekel

Date	Facility	Buying price	Selling price	Spread	Spread unit (PIP)	Difference (%)
09/05/05	Street Money Exchangers					
	Street Money Exchanger 1	4.35	4.37	0.02	20	0.46%
	Street Money Exchanger 2	4.35	4.37	0.02	20	0.46%
	Street Money Exchanger 3	4.35	4.37	0.02	20	0.46%
	Average					0.46%
09/05/05	Exchange Bureaus (Ramallah)					
	Exchange 1	4.36	4.365	0.005	5	0.11%
	Exchange 2	4.355	4.365	0.01	10	0.22%
	Exchange 3	4.36	4.365	0.005	5	0.11%
	Average					0.15%
09/05/05	Palestinian Banks					
	Palestinian Bank 1	4.34	4.39	0.05	50	1.15%
	Palestinian Bank 2	4.34	4.385	0.045	45	1.03%
	Palestinian Bank 3	4.34	4.38	0.04	40	0.92%
	Average					1.00%
08/06/05	Israeli Banks					
	Bank Leumi	4.28	4.5	0.22	220	5.14%
	Arab Israel Bank	4.29	4.5	0.21	210	4.90%
	Bank Hapoalim	4.29	4.5	0.21	210	4.90%
	Average					5.00%

Source: Collected through on-the-spot surveys in Ramallah and by telephone communication with Israeli banks

Table 25: Jordanian Dinar against Israeli Shekel

Date	Facility	Buying price	Selling price	Spread	Spread unit (PIP)	Difference (%)
07/06/05	Street Money Exchangers					
	Street Money Exchanger 1	6.18	6.22	0.04	40	0.64%
	Street Money Exchanger 2	6.18	6.22	0.04	40	0.64%
	Street Money Exchanger 3	6.19	6.22	0.03	30	0.48%
	Average					0.58%
07/06/05	Exchange bureaus (Ramallah)					
	Exchange 1	6.2	6.24	0.04	40	0.64%
	Exchange 2	6.2	6.23	0.03	30	0.48%
	Exchange 3	6.2	6.23	0.03	30	0.48%
	Average					0.53%
25/05/05	Palestinian Banks					
	Palestinian Bank 1	6.161	6.224	0.063	63	1.02%
	Palestinian Bank 2	6.168	6.182	0.014	14	0.22%
	Palestinian Bank 3	6.12	6.22	0.1	100	1.63%
	Average					0.95%
08/06/05	Israeli Banks					
	Bank Leumi	5.97	6.45	0.48	480	8.04%
	Arab Israel Bank	5.97	6.45	0.48	480	8.04%
	Bank Hapoalim	6.05	6.45	0.4	400	6.61%
	Average					7.56%

Source: Collected through on-the-spot surveys in Ramallah and by telephone communication with Israeli Banks

Table 26: Euro against Israeli Shekel

Date	Facility	Buying price	Selling price	Spread	Spread unit (PIP)	Difference (%)
07/06/05	Street Money Exchangers					
	Street Money Exchanger 1	5.36	5.39	0.03	30	0.56%
	Street Money Exchanger 2	5.37	5.4	0.03	30	0.55%
	Street Money Exchanger 3	5.39	5.41	0.02	20	0.37%
	Average					%0.49
07/06/05	Exchange bureaus (Ramallah)					
	Exchange 1	5.38	5.41	0.03	30	0.55%
	Exchange 2	5.37	5.4	0.03	30	0.56%
	Exchange 3	5.39	5.41	0.02	20	0.37%
	Average					0.49%
25/05/05	Palestinian Banks					
	Palestinian Bank 1	5.457	5.574	0.117	117	2.14%
	Palestinian Bank 2	5.507	5.521	0.014	14	0.25%
	Palestinian Bank 3	5.456	5.565	0.109	109	2.00%
	Average					1.46%
08/06/05	Israeli Banks					
	Bank Leumi	5.27	5.54	0.27	270	5.12%
	Arab Israel Bank	5.28	5.55	0.27	270	5.11%
	Bank Hapoalim	5.27	5.52	0.25	250	4.74%
	Average					5.00%

Source: Collected through on spot survey in Ramallah and by telephone communication with Israeli Banks.

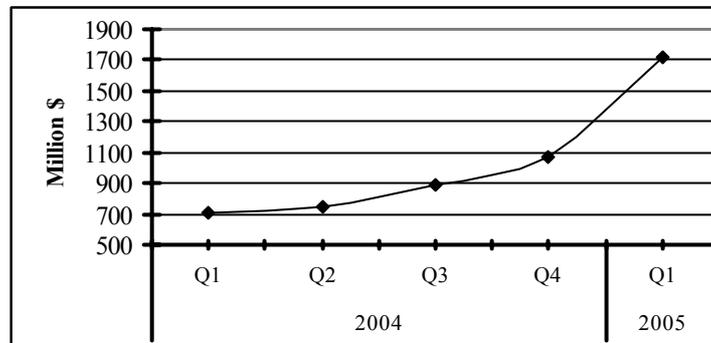
On studying and comparing the previous three tables we make the following observations:

- The discrepancy in the value of the Dollar against the Shekel was the lowest in all sectors (Palestinian and Israeli banks, money exchange bureaus and money changers of the informal sector). That is due to the relative stability of the Dollar/Shekel exchange rate and the widespread use of the Dollar, and to the existence of a large market for exchanging Dollars with Shekels.
- The discrepancy in exchange rates of the different currencies (Dollar, Dinar and Euro) was the lowest in money exchange bureaus, followed by money changers of the informal sector. That is probably due to the fact that roaming money changers usually work for Money Exchange Bureaus for specified commissions.
- There is a big difference in the amount of discrepancy between Palestine and Israel. At a time when the average difference between the buying and selling price of the Dollar was 1% at Palestinian Banks, money exchange bureaus and money changers of the informal sector, it was 5% at Israeli Banks. Consequently the currency market for exchanging the three currencies is more effective in Palestine than in Israel. This is probably due to the existence of sharper competition in the money exchange market in Palestine lower costs of labour and other institutional expenses.
- Discrepancy in the exchange rate of the Dinar against the Shekel was lower than the Euro at Palestinian banks, while the reverse was true at Israeli banks. This is probably due to the relatively higher usage of the Jordanian Dinar in the Palestinian territories and the Euro in Israel.

12- Palestine Stock Exchange

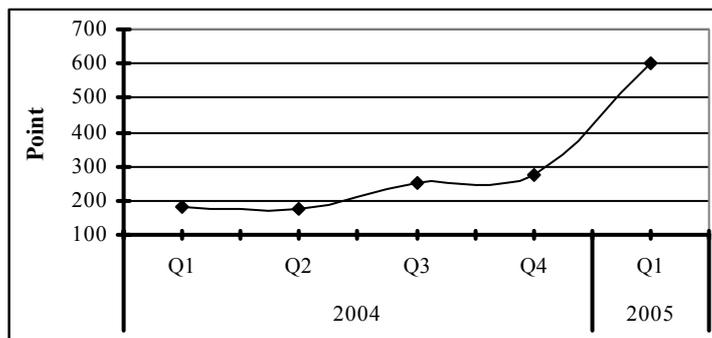
Data issued by the Palestine Stock exchange indicate a strong improvement in all market indicators. The number of shares traded rose by 150.4% during the first quarter of 2005, reaching around 105 thousand shares. The increase was continuous through all three months. Their value was nearly US\$445 million, an increase of 381% over the previous quarter. Those increases took place over the same number of trading sessions (60) as the previous quarter, but the number of transactions rose by 118.4% to become 27,243 deals, an average of 454 per session. The increase in the number of transactions was accompanied by a big increase in the prices of shares, to the extent that they rose by 117.5% compared to the previous quarter. The Jerusalem index rose to 603.74 points from 277.56 points during the fourth quarter of 2004. In addition, the market value of shares listed on the exchange increased by 61.9% to reach US\$1,723 million.

Figure 21: Market Value of Companies Registered on Palestinian Stock Exchange



Source: Website of Palestinian Stock Exchange. www.P-S-E.com

Figure 22: Jerusalem Index



Source: Website of Palestinian Stock Exchange. www.P-S-E.com

13- Security, Justice and Law

13-1 Legal Environment

During the first quarter of 2005 the Legislative Council's attention was centred on adopting the amended General Elections Law, according to which the Palestinian parliamentary elections were expected to take place in July of the current year. Many sessions of the Council were devoted to

discussion and adoption by first reading of this law. Consequently, there was a drop in the number of other laws adopted by the Council during that quarter.

During the first quarter of 2005 one law concerning financial and economic matters was adopted, that dealing with unlawful gains. The adoption of this law is considered an important step for completing measures needed to reform the financial and administrative environment. It is expected that the law will contribute to strengthening principles of transparency and accountability, protecting public funds and ending corruption. The Legislative Council approved the General Budget for 2005 on the last day of the deadline for budget approval, which is 31 March.

The Legislative Council also approved in general discussion three laws related to financial and economic affairs. The first concerns the Fund for the Support and Care of Martyrs' Families and the other two concern the organisation of trade union activities in Palestine.

The Legislative Council also completed the first reading of three laws: the amended Agriculture Law, the amended Judicial Authority Law and the draft law on law enforcement. Despite the fact the last two laws are not directly related to economic and financial matters, their approval and adoption will help provide the legal and judicial stability which are prerequisites for the creation of an appropriate investment environment. An independent and honest judiciary, whose decisions are enforced quickly and fairly, will provide confidence to investors and businessmen. The Council also referred the amended law on the principles of civil and commercial court trials to the President of the Authority for signature and issue, and completed the readings of the draft law on the retirement of civil servants and referred it to the Council of Ministers for their opinion.

Table 27: Draft Laws and Laws with Economic Dimensions at Different Legislative Stages

Law/ Proposed law	Date
Laws approved by PLC and signed by the President	
Illegal Earnings	08/01/05
Public Budget for the year 2005	31/03/05
Bills approved in third reading and transferred to the President	
Amendments to the Civil and Commercial Procedural Law	05/02/05
Bills approved in the third reading and transferred to the cabinet	
Public Retirement	13/03/05
Bills approved in the first reading	
Amendment to the Palestinian Judicial Authority	10/03/05
Law Enforcement	14/03/05
Amendment to the Agriculture Law	15/03/05
Bills approved in public discussion	
Martyrs Support Fund	29/01/05
Unions	14/03/05
Labour Unions	14/03/05
Bills transferred to the specialised committees	
Public procurement law	04/01/05
Concession Law	04/01/05
Allowances and compensation to the PA President	09/03/05

Source: Palestinian Legislative Council

The Council also referred three draft laws to its specialised committees for examination and preparation of the necessary reports. The Concessions law regulates granting concession contracts in Palestine and sets out the rights and duties of contracting parties and the proper mechanisms to end such agreements, and the amended law on Public Supplies regulates the purchasing of supplies in government offices and institutions and stipulates how they should be managed. The main amendment to this law stipulates the addition of a representative of the Standards and Measurements Agency to the membership of the Central Tender Commission mentioned in the Law. The third draft law concerns the allocations and allowances of the Palestinian National Authority's President, setting the salary and allowances of the President at US\$7,000 per month.

It is worth noting that the Legislative Council postponed examination of the amended Labour Law, after referring it to the specialised committee for study. The reason was the non-existence of the legal body which will regulate its affairs, as it is closely linked to (and basically dependent on) the Law on Social Security, which is still under examination.

The following table lists the laws and draft laws related to financial and economic matters, at their different legislative stages, during the first quarter of 2005.

13-2 Security

Palestinian society and all its institutions were preoccupied by lawlessness and the "chaos of arms" (as referred to by the local press), the dangers of which are increasing along with the ineffectiveness of law and order agencies. Incidents which indicate the absence of the rule of law included clashes in the streets and public places between members of the different security agencies, kidnappings of public figures, foreigners and journalists, assassinations, and assaults on hospital directors, mayors and members of the Legislative Council. Armed attacks on public institutions and government departments continued, including the offices of the Legislative Council in Gaza, Gaza's Central Prison, the offices of the security agencies in Gaza, the administrative offices in the governorates, the offices of social affairs, the Electricity Distribution Company, the Cultural and Free Thought Association in Khan Younis, and others offices. In addition, there were family and individual feuds, and murders known as "honour killings" (Website of the Independent Association for the Rights of the Citizen, and Mizan Centre).

Data from the Mizan Centre indicate that 515 Palestinians were killed or wounded in such incidents in the Gaza Strip during the period from 1/1/2003 to 11/6/2005. In the first half of the current year 15 dead and 165 wounded were counted in incidents of lawlessness and the widespread use of weapons (Mizan Centre website, 12/6/2005). The Independent Association for the Rights of the Citizen also reported that 93 persons were killed in 2004 as a result of what it called lawlessness and the chaos of arms. The list includes persons killed for cooperation with the occupation or for revenge. Tens of kidnapping incidents also occurred. The report cited examples of armed attacks on public and private institutions, security offices and leading personnel, without measures being taken against those committing those acts. (Palestinian Independent Association for the Rights of the Citizen, Report 2005)

In the same context, the Palestinian Prime Minister threatened to suspend his government's activities as an expression of discontent and dissatisfaction with the Security apparatus's failure to end the lawlessness prevailing in the Palestinian territories. (Local press, 16/6/2005).

13-3 Citizens' Rights

The Palestinian Independent Association for the Rights of the Citizen issued its annual report on the state of the Palestinian citizen's rights during 2004, which monitored violations of the rights of Palestinian citizens by official Palestinian institutions in the following areas: the right to life, the rights to freedom, personal security, and protection from torture, the rights to freedom of opinion

and expression, the right to protection from forced disappearance, and other rights guaranteed by Palestinian laws. The report revealed that Palestinian citizens were also exposed to violations of their rights by non-official Palestinian parties due to the weakness of Palestinian institutions (Palestinian Independent Association for the Rights of the Citizen, 2005. Tenth Report, State of Palestinian Citizen's Rights during 2004).

The report did cite improvements in certain areas of the state of Palestinian citizen's rights during 2004 (such as arbitrary arrest, the right to social security, the right to education, and obtaining public services) but concluded that the Palestinian Prosecutor's Office "does not fulfil its required role, as it is the body basically responsible for and authorised to carry out arrests and order detention". The Association highlighted the failure to control the security apparatus, especially that "the General Prosecutor's Office, which supervises and controls the punishment measures, is still ineffective in practicing its supervisory and control role in this area."

13-3-1 Crimes of Honour

Officials from the Palestinian Ministry for Women Affairs (as quoted in the British **Guardian** newspaper on 23 June) stated that 20 women and girls were killed during the past year within the framework of what is called 'crimes of honour'. They added that 50 girls committed suicide (probably under family pressure) to clear a perceived blemish on family honour due to suspicions of sexual relations outside marriage, or in order to avoid an imposed marriage, or to escape from a hated marital relationship. The officials said that also 15 girls escaped killing attempts related to crimes of honour during the previous year.

It is worth mentioning that laws inherited from the Jordanian era treat women as 'minors' that fall under the protection of their male relatives. Such laws impose a maximum punishment of 6 months imprisonment for homicide if it is a 'crime of honour'. Women's organisations have asked the Legislative Council to amend the law, but are facing opposition from some members of parliament who think that abrogation of those laws will destroy the tissue of moral values governing Palestinian society.

13-3-2 Death Sentences

On 12 June four convicted prisoners were executed in Gaza. The death sentences had been passed several years before, but their executions had been delayed.

Documents from the Palestinian Centre for Human Rights (PCHR) reveal that 37 death sentences have been passed since the establishment of the Palestinian Authority in 1994 and 12 of them carried out. Nine other sentenced persons were killed extra-judicially. The majority of death sentences were passed by State Security Courts, which are special courts formed in accordance with a Presidential Decree of 1995. The PCHR calls for the repeal of this Decree and asks that trials be conducted in ordinary civil courts, owing to the absence of conditions of fair trial in state security courts. The Centre is of the opinion that the decision issued by the Palestinian Minister of Justice in July 2003, stipulating an end to the functioning of State Security Courts, is insufficient. The Centre also calls for abolition of the death penalty from Palestinian law.

14- Israeli Measures

The Israeli occupation policies, including blockades, destruction of property and killing, resulted in great loss of human life and wide scale destruction of infrastructure. Data from the Palestinian National Information Centre revealed that during the first quarter of the current year 95 Palestinians were killed, among them 30 children (less than 18 years of age). 59 fell in Gaza and 36

in the West Bank and Jerusalem. January was the worst month, with 74 persons killed. 270 persons in the West Bank and 116 in the Gaza Strip were wounded by occupation forces or settlers.

In addition, Israel's occupation forces destroyed 2,278 dunums of land, 1,262 of them in January. They continued to expropriate large areas of land in order to complete the construction of the Separation and Annexation Wall. The area of land expropriated in the first quarter of 2005 amounted to 2,040 dunums. They totally or partially destroyed 1,464 houses, damaged around other 1,235 facilities, and uprooted more than 810 thousand trees of different kinds.

The number of Palestinians killed during the Al-Aqsa *Intifada* reached 3,804 by the end of April 2005, among them 750 children. By the end of January, Israel's occupation forces had caused different degrees of damage to 71,122 buildings, more than one tenth of them (7,505) residential buildings that were either partially or completely destroyed. (Palestinian Central Bureau of Statistics, *Intifada* Data)

14-1 Israeli Violations of Palestinian Citizens' Rights During 2004

The Palestinian Association for the Rights of the Citizen in its tenth report, published in 2005, monitored Israeli violations during 2004. The report revealed the continued violation of the rights of Palestinian citizens by the Israeli occupation forces on all levels and in all areas of the West Bank and Gaza Strip.

Attack on the Citizen's Right to Life

Israel's occupation forces killed 806 Palestinian citizens during 2004, i.e. an average of 2.2 a day. 141 children were among them. The occupation forces targeted 95 people for assassination, most prominent among them were Sheikh Ahmed Yassin and Abdul Aziz Al-Rantisi. 5,964 Palestinian citizens were wounded as a result of the occupation's repressive measures during the same period, i.e. 16.3 citizens per day. Documents from the Association revealed that most of the casualties were caused by haphazard firing or the bombardment of residential quarters by heavy weapons.

Continued Attacks on Freedom of Movement

The occupation forces set up hundreds of military road blocks that separate Palestinian communities from each other. Some road blocks were upgraded to resemble border crossings, with electronic searching equipment. In some of them dogs were being used for searching purposes. Humiliating measures continue at these crossings, including holding Palestinian citizens for hours in the cold or under the scorching heat of the sun, forcing people into pits (known as *Al-Jourah*), and forcing them to take off their clothes.

Attacks on First Aid Teams

The occupation forces continued to hinder the work of Palestinian medical teams. Some of them were exposed to direct gunfire and shelling, which killed 31 medical workers between the outbreak of *Intifada* and the end of 2004. 428 medical personnel were wounded while on duty during the same period. 345 ambulances were exposed to attacks, which resulted in the total destruction of 38 of them and serious damage to 123 others. Delaying ambulances at checkpoints and military road blocks continued, which resulted in 56 births at road blocks and the deaths of five pregnant women.

Attacks on Private and Public Property

The occupation completely destroyed 600 Palestinian houses and damaged 800 others during 2004. Most of these were in the Gaza Strip. The occupation forces continued to demolish houses in the West Bank (including Jerusalem) under the pretext that they were unlicensed. 24 houses were destroyed in such circumstances in 2004. A report by the Palestinian Centre for Human Rights in Gaza stated that the area of agricultural land destroyed by the Israeli occupation between the outbreak of the Al-Aqsa *Intifada* and the end of May 2005 was 31,699 dunums, or nearly 20% of

the total area of agricultural land in the Gaza Strip. The Beit Hanoun area in Northern Gaza Governorate was among the worst hit areas. In addition, thousands of dunums were destroyed in the West Bank for building the Separation and Annexation Wall.

Burying Hazardous Waste in the Palestinian Territories

The World Health Organisation condemned Israel's burying of dangerous waste in the Palestinian territories and demanded that Israel refrains from such practices. Israel set up a dump in the territory of Nablus Governorate over an area of tens of dunums at the Abu Shousha quarry, which is situated near the biggest water basin in the West Bank. In addition, the occupation forces and settlers have turned agricultural fields between the towns of Ya'bed and 'Arabeh in Jenin Governorate (which is among the most fertile Palestinian agricultural areas) into a place of environmental destitution, by dumping household and industrial waste, army refuse and scrap in them. The occupation forces continue to dispose of dangerous industrial waste in Al-Mowassi area in Gaza. In March the occupation authorities started pumping around 15,000 cubic meters of waste water per day from Israel to Gaza Valley through Israel's borders, a practice which results in polluting the areas through which such water passes. (Press conference of the Head of the Environment Quality Authority, Youssef Abu Safiyah, quoted from the Palestine Press Agency – Wafa, 14/5/2005). In addition, cancer and sterility rates continue to be abnormally high in Palestinian areas near Israel's aging nuclear bomb-making facility at Dimona, with radioactive waste buried in the hills around Hebron. Israel still refuses international inspection of the four decade-old site.

Palestinian Prisoners in Israeli Jails

The Ministry for the Affairs of Detainees and Ex-Detainees issued a report dealing with the conditions of Palestinian prisoners in Israeli jails. According to the report there were 8,500 prisoners in Israel's jails in mid-May 2005, distributed among 25 detention camps and centres. The number of prisoners receiving salaries from the Ministry amounted to 6,000. 387 prisoners have been detained since before the establishment of the Palestinian National Authority, and 227 prisoners were detained between the signing of the Oslo Accords and the outbreak of the Al-Aqsa *Intifada*.

More than 350 female prisoners were arrested during the Al-Aqsa *Intifada*; 123 of them are still detained. Among the female prisoners still incarcerated are 74 whose ages range between 16 and 25 years.

The Ministry revealed that more than 3,500 children had been arrested since the outbreak of Al-Aqsa *Intifada* and 346 were still in detention – 303 from the West Bank, 33 from Jerusalem and 10 from the Gaza Strip. Eight of them are girls. 56% of the children in detention are awaiting trial, 41.5% have been sentenced, and 2.5% are being 'administratively detained', i.e. without even the prospect of a trial. The report also stated that 196 children were detained in 2004 and 124 so far in 2005. It mentioned that 99% of child detainees said they had been tortured, often by putting a hood over the head, suspension in the air and beating.

Table 28: Kinds of Torture to which Palestinian Prisoners were Exposed to in Israeli Jails

Type of Torture	Percent
Prisoners were beaten	99
Prisoners were put in a refrigerator	68
Prisoners were hanged by hands	88
Prisoners were forced to stand for a long time	92
Prisoners were forbidden to sleep	93

Source: Ministry of Detainees' and Ex-Detainees' Affairs

The report states that 1,000 Palestinians in total were administrative detainees, held without charge or trial. The report also reveals that detainees have been subjected to different kinds of torture. The following table shows the percentage of Palestinian prisoners who were subjected to the main types of torture in Israeli jails.

14-3 Annexation and Separation Wall

The construction of the illegal wall continued, and was concentrated in the Jerusalem area, the west of Ramallah, in Bethlehem and in Al-Khalil (Hebron) area. Reports indicate that the Israeli occupation plans to build a wall inside the city of Al-Khalil to isolate the area subject to total Israeli control in the city (known as H2) from the other parts of the city.

The parts of the wall which have been completed have resulted in the expropriation of thousands of dunums and the severing of whole villages such as Bili'n, north of Ramallah, from their agricultural land. It has also caused the isolation of tens of communities north and west of the Wall. Such communities have lost geographical continuity with the West Bank, and Israeli occupation soldiers now totally control their movements through special gates. 208,705 dunums of fertile agricultural land were expropriated for the benefit of building the Wall.

The Area of Greater Jerusalem is 290 Square Kilometres

It was learned from Israeli sources (**Ha'aretz**, Akiva Aldar, a translated article in **Al-Quds** newspaper, 23 June 2005) that the area of Greater Jerusalem will become 290 square kilometres after the completion of the Wall. This area will be constituted by the following:

- 56 square kilometres inside the Green Line;
- 70 square kilometres added after the 1967 occupation;
- 70 square kilometres inside the settlement of Ma'aleh Adumim
- 95 additional square kilometres to be annexed to Jerusalem by the Wall.

It is worth noting that the area of East Jerusalem before 1967 did not exceed 6 square kilometres (1 square kilometre inside the old city), and that the area of Tel Aviv does not presently exceed 55 square kilometres.

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