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Palestine Economic Policy Research Institute (MAS)

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FOREWORD

This issue of the monitor follows the approach adopted in recent issues. The aim is to give our readers an understanding of developments in each sector of the economy, including the following:

- An insight into the state of the economy over the past five years, and an examination of the main influences on it.
- An overview of annual economic activities by sector, and identification of the factors that played an important role in sustaining the situation in its previous condition, in addition to new trends and directions in the economy.
- Detailed analysis of quarterly changes, which aims to give a comprehensive picture of indicators in relation to previous quarters.

This approach aims to make each issue of the monitor a stand-alone reference, which helps readers to understand the developments that take place on a quarterly basis within the context of the major developments during the year, as well as in previous years. The goal is to help the readers formulate a comprehensive picture of the main economic indicators without the need to refer to previous issues of the monitor. At the same time, detailed descriptions of short-term developments provided in the context of the significant medium-term trends will help readers to fully comprehend the prevailing problems and future challenges.

This approach in compiling the monitor has been adopted in response to our readers' valuable suggestions. We hope for more feedback to help us continuously improve the monitor in line with the demands of our readership. On the occasion of its publication, we would like to thank the research teams in the three institutions that collaborated in producing this edition.

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Contents

List of Tables

List of Figures

Definitions and Terminology

Average Wage	Employees compensations ÷ number of waged employees
Consumer Price Index (CPI)	A statistical tool to measure the changes in the prices of goods and services purchased by the consumer between two periods.
Crude Divorce Rate	The number of divorce cases per 1,000 population at mid year
Crude Marriage Rate	The number of marriages per 1,000 population at mid year
Dependency Ratio	The number of dependants including children below 15 years old and old people above 65 per 100 population at the working age of those who are between 15-65 years old.
Disposable Gross National Income	Total value of income accrued to residents and available for spending on consumption goods and services, or saving. It equals GNI plus net current inflows from abroad.
Drop out Ratio	Total pupils who left school during the academic year divided by all enrolled pupils in the basic and secondary levels of education.
Dwelling Density	Number of persons per room
Employment	The number of working people within the labor force, including employers, paid workers, and self-employed persons, in addition to unpaid workers who are family members.
Enrolment Rates	Total number of enrolled pupils at educational institutions of education at a certain level divided by population whose age is within the legal age to be enrolled at that level.
Family	One or more persons who are bound or unbound by kinship, living usually in one house or part of it, and share food or any other living arrangements.
Gross Domestic Product (GDP)	The value of final goods and services produced during the year.
Gross National Income (GNI)	The value of total value of incomes accrued to residents.
Household Expenditure	It includes expenditure of the household on the purchase of goods and services for living purposes, the value of goods and services the household receives from the employer and specified for consumption by the household, the cash spent on charges, fees, taxes and religious tax, grants, presents, interest on loans, and other non consumption items.
Household Consumption	The sum of money spent on the purchase of goods and services, the value of goods and services the household receives from the employer, and the goods consumed of household production, and the imputed value of rent of owned dwelling unit.
Infant Mortality Rate	The number of infants (below one year of age) per 1,000 of living new born during a year.
Labor Force	All persons who belong to the working age and are either employed or unemployed.
Manpower	All persons in the West Bank and Gaza Strip who had completed 15 years of age and above.

Median Age	The age that divides the studied community into two equal parts, i.e. half women who married during 2004 and their ages were equal to or less than the median age, and the other half of them of whom ages were equal or greater than the median age.
Remaining West Bank	The West Bank excluding that part Israel had annexed by force after the 1967 occupation. This term was invented for statistical purposes and because of the difficulties in gathering information of that part of Jerusalem due to the Israeli road blocks and other restrictions.
Total Fertility Rate	The average of living newly born per woman during her fertility life.
Unemployment Rate	Includes those persons who belong to the working age and never work during the reference period in any kind of work, were ready for work during the period, and actively searched for a job.

INTRODUCTION

The past year 2007 did not see the improvement in the economic environment that had been expected. On the contrary, conditions worsened and all macroeconomic and social activities indicators declined due to the continuation of the practices of the Israeli occupation that appear in the killing of persons, destruction and demolition, siege and the obstruction of the movement of persons and goods. The situation had worsened and the misery had increased after the catastrophic events in the Gaza Strip that resulted in two separate governments, a provisional one in the West Bank and a *de-facto* one in the Gaza Strip. This division threatens the whole national Palestinian cause.

To heal the rift and return to national unity, legitimacy, and the national program is an urgent mission that cannot be postponed or delayed. The salvation of the national cause requires a strong government to adopt a comprehensive national strategy to rehabilitate the Palestinian economy and to bring it forward on the track of sustainable development.

EXECUTIVE SUMMARY

National Accounts
The slump in economic activity continued in the Palestinian territory in the first quarter of 2007, where GDP declined by 4.2% compared to the previous quarter and GDP per capita fell by 5%. Structural deformities have worsened, with the relative contributions of the important productive sectors of industry and agriculture continuing to decrease, while that of services – most notably public administration, security and trade – has risen.

Labor Market
The labor force participation rate increased to 42.1% in the 1st quarter of 2007 relative to the 4th quarter of 2006, with the rate of men falling to 66.7% and that for women to 15.2%. However, the total number of jobs rose by 32,0000 to 698,000, which saw the ILO-definition unemployment rate fall to 21.6% at the end of the first quarter. Average daily wages for paid workers remained unchanged for both West Bank and the Gaza Strip at 79 NIS and 67 NIS respectively, however they fell to 128.5 NIS for Palestinian workers in Israel and the settlements. The number of vacancies advertised in local newspapers increased by 44 to reach 878 during the second quarter, although the share of public-sector job adverts fell.

Banking Sector
Three new bank branches in the West Bank and Gaza brought the total to 155 at the end of the first quarter. The total assets/liabilities of the banks operating in the WBGS increased by 4.3% in the first quarter of 2007 relative to the fourth quarter of 2006, and the outstanding credit facilities rose in the same period by 0.7% to US $1,915.7 million. In addition, there was a 4.6% increase in foreign investment in the first quarter of 2007 relative to the fourth quarter of 2006. Total deposits also increased by 4.6% to reach US $4,876.6 million. The number of checks cleared decreased to 547,498 in the first quarter of 2007 relative to the fourth quarter of 2006, but their value increased to $1.36 billion.

Exchange Rate Spread
The value of the Israeli Shekel appreciated against the US Dollar, the Jordanian Dinar and the Euro during the second quarter, partly due to the implementation of an Israeli law requiring the use of Israeli Shekel in domestic and foreign transactions in Israel. The difference between buying and selling rates for currency exchanges (spread) was at least twice as high in banks in Israel as in Palestine.

Stock Market (PSE)
The PSE witnessed a decline in the performance of several indicators in the second quarter of 2007 compared to the first. Trading volume fell by 22.7%, the number of stocks traded decreased by 7.1%, the market value declined to US $2.4 billion, and the Al-Quds (Jerusalem) index decreased by 18.2% to reach 509.69 points at the end of the quarter.

Prices and Purchasing Power
The CPI in the Palestinian territory, calculated in Israeli Shekels, increased by 0.36% during the first quarter of 2007. The purchasing power of the US Dollar and Jordanian Dinar declined in the same period by 1.39% and 1.28% respectively, as a result of the fall in their exchange rates.

Tourism
The number of hotels operating in the Palestinian territory decreased in the first quarter of 2007 to a total of 78, and the number of hotel workers fell by 3%. However, the number of hotel guests increased by 33.2% and the room occupancy rate increased to 15.6%.

Infrastructure
1,044 building licenses were issued during the first quarter of 2007, a 62.7% decrease in comparison with the first quarter of 2006. Cement imports fell by 6% over the same period, to reach 317.2 thousand tons. Meanwhile the number of newly-registered companies increased by 61.7% compared to the fourth quarter of 2006.

Expectations of Owners and Managers of Industrial Establishments
At the end of the first quarter, 44.6% of large establishments' owners/managers were optimistic about the general conditions of their businesses in the short run, while 57.1% of them were optimistic about the overall condition in the medium term. Meanwhile, 50.3% of establishment owners were optimistic about improving the productive capacity of their establishments in the short term, and 67% were optimistic about doing the same in the medium term.

Demography
The demographic forecasts, based on expectations of 3.3% natural population growth rate, indicated that the population size in the occupied Palestinian territory would reach 4 million individuals by mid 2007. However, the birth rate continued to decline, reaching 36 births per 1,000 people in 2007 compared to 42.7 births per 1,000 in 1997.

Education
At the end of 2006 the illiteracy rate among 15 year-old and stood at 6.5% of the population of the occupied Palestinian territory. At 10.2% compared to 2.9%, the illiteracy rate for women was more than three times that for men, although for both sexes it is significantly higher among the elderly. The number of schools in the occupied Palestinian territory was 2,337 in the school year 2006/2007; 75% are located in the West Bank and 25% in the Gaza Strip.

Rule of law
Internal struggles increased during the beginning of 2007 due to the absence of the rule of law, with security chaos particularly prevalent in the Gaza Strip. Meanwhile, Israeli aggression continued: during the first half of 2007, 178 adults and children were killed (including 18 cases of extra-judicial assassination), and 834 were wounded.

1. The Monitor Outlook

There was some optimism at the start of 2007 regarding the political crisis in the occupied Palestinian territory (OPT) that had stemmed from the international boycott of the national unity government, the continuation of the conflict between Hamas and Fateh movements, and the resultant deterioration of the security situation during 2006. The sense of optimism was created when Hamas and Fateh movements positively responded to the Saudi invitation to attend the Mecca Meeting specifically called to solve the differences between the two movements.

The Mecca Meeting on February 8, 2007 produced what became known as the "Mecca Agreement" which stipulated the formation of a national unity government by the two movements as well as the other political factions and independents. It further stipulated that the unity government should work to end the international siege imposed on the Palestinian government; and should also work to reorganize the internal security situation so as to end the state of chaotic security, to restore law and order, and to be fully engaged with the struggle against the Israeli occupation. Accordingly, on March 17 a national unity government was formed and chaired by a member of Hamas (Ismail Hanieh), with participation of ministers from all factions and independents except from the Popular Front, which refrained from participation.

Few weeks after the formation of the national unity government, the wave of optimism was replaced by skepticism as the US and Israel insisted on the continuation of the international boycott on the new government. Meanwhile, the national unity government was not able to find an appropriate formula to end the continuing security crisis stemming from the existence of two security forces in the Gaza Strip, one affiliated with Fateh and one with Hamas. The conflict between these two forces culminated in a bloody clash on the 14th and 15th of June which resulted with the Hamas taking over the security apparatus in the Gaza Strip after a battle in which all Fateh elements were either killed, injured or expelled from the security forces.

The leadership of Hamas justified its actions as being against those it supposed to be working according to an American-Israeli agenda, and that this act was neither aimed at the Fateh movement nor the President of the Palestinian National Authority, and that this leadership was ready for dialogue with all parties in order to sustain the national unity government. Meanwhile, the President of the Palestinian National Authority considered this act of Hamas as a *coup d'ẻtat*, and he immediately dismissed the national unity government, and on the 17th of June instated an emergency government headed by the national unity government's Minister of Finance, Dr. Salam Fayyad. He also declared his rejection to any kind of dialogue with Hamas until it retreated from its actions, and submitted the security of the Gaza Strip to the Palestinian National Authority. On its part, the leadership of Hamas refused the termination of the government and condemned the emergency government as illegal.

The USA and the governments of the EU and many Arab and foreign governments recognized the emergency government, and the USA and EU declared the end of the state of financial siege that was imposed on the Palestinian government, and the Israeli government started to transfer the withheld Palestinian taxes to the emergency government.

This situation resulted in the existence two governments, one in the West Bank and the other in Gaza Strip, a very risky matter the continuation of which means:

- The re-enforcement of the geographical divide between the West Bank and Gaza Strip with a political separation.
- The pre-eminence of the differences between Fateh and Hamas over the more important issue of the impact of the Israeli occupation on the Palestinian people.

It is clear that the continuation of this situation will be against the interest of the Palestinian national cause. Therefore, the Palestinian people in the OPT and the Diaspora live in a state of anxiety and disappointment in their political leadership; the majority of people are incapable of understanding the justification of this struggle over a quasi authority, while the real authority still lies in the hand of the Israeli occupation. The occupation continued to demonstrate the practice of torture, violence, assassination, siege and closure against the Palestinian people, paralyzing the movement of people and goods, and in the meantime continuing to expand the settlements and to construct the separation wall. This Israeli policy of oppression resulted in the death of more than 660 Palestinians in 2006, three times the number from 2005. The number killed in the first half of 2007 amounted to 178, while the number of injured reached 843 including 128 children. The Palestinian Monitoring Group had observed that the Israeli army had 2,444 flying checkpoints during the same period.

Naturally these situations will lead to a slump in economic activities. It is sufficient for us to know that GDP per capita plummeted to US $1,129.1 in 2006, which is equivalent to 88% of the level a year ago, and 70% of that in 1999. Preliminary predictions of economic activities in the first quarter of 2007 indicate that the GDP per capita may decline to less than US $1000. In addition to that, unemployment rate rose to 23.6% at the end of 2006 which is equivalent to twice its 1999 level. These continuous deteriorations in economic activities lead normally to the spread of poverty; some estimates indicate that more than 60% of the population lives below the poverty line.

Generally speaking it can be said that the Palestinian economy in the West Bank and Gaza Strip in the first quarter of 2007 was in a state of a besieged economy, one that was exhausted by Israeli oppression, and tormented by the environments of political struggle and internal fighting. All this had led to the aggravation of the problems in the private sector, as the degree of investment risk climbs to high and unprecedented levels, thus pushing some industrial establishments to locate in neighboring countries. If we add to this the continuation of the phenomenon of transformation of some industrial establishments into commercial importation establishments, due to the fact that Palestinian markets are dumped with cheap Asian products, we can then understand that we are facing a danger that threatens the Palestinian productive base.

To stop this deterioration in the short term requires unprecedented action on the part of the public sector, to revitalize economic activities through large doses of investment so as to assist in the mitigation of investment risks until the private sector can regain some confidence. In the long term, the economic situation cannot improve substantially or sustainably unless a radical change of the whole political situation occurs. This change must move towards putting an end to the Israeli occupation, to open the road to establishing a Palestinian independent state in accordance with the UN resolutions. In the Palestinian local arena, there should be efforts to quickly end the situation of the existence of two governments, so that the Palestinian National Authority (PNA) can adopt an economic program that rests on the following priorities:

- To study all the dimensions of the PNA economic experience since 1994, and draw out the lessons that can be of help in the formation of a new national realistic development project.
- To confront the problems of poverty and unemployment through projects organically linked to the priorities of the national development project.
- To be open to Arab and foreign markets, and the gradual reduction of total dependence on the Israeli market.

2. Economic Activities

While the Arab region witnessed a third year of relatively high economic growth rates due to the huge increase of oil revenues, economic activities in the OPT deteriorated for the second year in a row due to Israel's oppressive measures and the worsening of the security situation. It is natural that this continued deterioration leads to a large decline in standards of living in comparison to neighboring countries. This decline is shown in Table 1 as with comparisons of the ratio of Palestinian income per capita (PIPC) to the income per capita of four neighboring countries we can see that in 1995 that the PIPC was less than IPC in Israel, almost equal to that in Jordan, and higher than in Egypt and Syria. In 2006, the PICP was less than the level in all four countries, and the relative decline of PIPC has been very high, for instance in 1995 PIPC was almost equal to that of Jordan, in 2006 it has deteriorated to become less than half of Jordanian IPC.

Table 1: The Ratio of the Palestinian per Capita Income to the Level in Neighboring Countries (%)

Country	1995 [(a)]	2006 [(b)]
Egypt	168	91
Jordan	96	46
Syria	184	78
Israel	11	6

Sources: (a) UNCTAD/GDS/SEU published on June 30, 1998.
(b) The World Bank's statistics.

Underlying this decline are the political-economic developments that have recurrently affected the Palestinian situation since the establishment of the PNA in 1994. It is well known that the main challenge that faced the PNA on its establishment in 1994 was the economic heritage of the Israeli occupation, which was represented by the control of Israel over a considerable portion of Palestinian natural resources (both land and water), the extraordinary dependence of the Palestinian economy on foreign sources of income (workers' incomes from Israel and the settlements, and workers' remittances from the Arab Gulf countries), the sectoral distortions (the substantial decline in the contribution of agriculture and industry to GDP), the total dependence on Israel in terms of its dominance as a trading partner and its control of borders, and the low levels of productive investment and social services.

It is also known that accomplishments achieved by the PNA during the limited period of self governance (1994-2000) in dismantling the economic heritage of the Israeli occupation were partial and limited. This was for reasons stemming both from Israel's incomplete implementation of agreements with the Palestinians, and from the structure of the PNA and its inability to establish a bureaucracy free from corruption and capable of forming a comprehensive national program for reconstruction and development.

Nevertheless, the PNA did have some successes in that it contributed to the repair of some important infrastructure facilities, it expanded social services, and it encouraged Palestinian Diaspora to invest capital in the Palestinian territory, especially in the sectors of communication, construction, tourism, and services.

Progress in these areas was halted due to Israel's oppressive measures that accompanied the *Al-Aqsa Intifada* that erupted in late November 2000, which culminated in direct reoccupation of the West Bank. The two years that followed (2001 and 2002) saw widespread deterioration in economic activities due to the practices of the Israeli army in incursions, closures, targeted killings, house and property demolitions, and curfews that lasted for many weeks in towns of Nablus, Jenin and Tulkarm.

This deterioration slowed somewhat towards the end of 2003, while 2004 and 2005 saw high growth rates (see Table 2). It was expected that this growth would lead to economic activities recovering their 1999 levels, but 2006 witnessed a sharp deterioration due to the fact that Israel declined to transfer the clearance revenues to the PNA (tax and customs revenues that Israel collects on the behalf of the PNA). This resulted in the deprivation of the public sector employees from receiving salaries for many months, in addition to the international boycott that prevented banks from transferring Arab and international assistance to the Palestinian Ministry of Finance. The deterioration was very sharp, such that GDP per capita declined by 11.9% compared to its 2005 level, which is 70% of its 1999 level.

Table 2: Economic Growth and Employment*

Indicator	1999	2002	2003	2004	2005	2006	2007
GDP (million $, constant prices)	4,511.7	3,838.9	4,165.3	4,247.7	4,502.6	4,107.0	3,674.0
GDP per capita ($, constant prices)	1,612.3	1,191.3	1,272.3	1,246.2	1,281.0	1,129.0	989.6
Average growth rate (GDP per capita) (%)	4.3**	(8.5)	6.8	(2.1)	2.8	(11.9)	(12.3)
Unemployment Rate (%)	11.8	31.3	25.6	26.8	23.5	23.6	na

Source: Palestinian Central Bureau of Statistics (PCBS). GDP data and GDP per capita for 2002-2006 and the 1st quarter of 2007 are preliminary and subject for revision and adjustment, and they are for the remaining of the West Bank and Gaza Strip in constant prices (base year: 1997). Figures for 2007 are fourfold of the estimates for the 1st quarter of 2007.

* Numbers in parentheses are negative.

** Growth rate for 1999 as compared to 1998 Figure.

This decline in economic activity, combined with Israel's refusal to release Palestinian taxes, resulted in a massive budget deficit in the PNA. This rendered the PA unable to pay about half of its employees and forced it to cut down on public spending and important social services. The resultant economic deterioration reflected the specific characteristics of economies that suffer from conflicts, crisis, and long-term instability. The following are just a few of these characteristics:

- Rising and high unemployment and poverty rates, greatly endangering the social fabric.
- Distortions in the economic structure with the decline of the productive sectors (agriculture and industry) necessary to meet basic needs. A transformation in the industrial base occurs in favor of low-wage, low-productivity activities.
- Workers moving from the formal sector to the informal sector.
- Some established businesses moving to neighboring countries; local capital being invested abroad.
- Income and consumption inequality worsening, and increasing marginalization and exclusion.

These characteristics of a 'war economy' began to surface, to varying degrees, from the start of 2001, but gradually disappeared in 2004 and 2005 when the economy began to grow. The characteristics resurfaced suddenly in 2006, particularly in the 4th quarter as the infighting between Fateh and Hamas intensified. This fighting magnified the already-high levels of economic uncertainty that stemmed from the Israeli occupation and the public-sector strike that was undertaken by PNA employees in response to the inability of the PNA to pay their salaries.

The press release of the PCBS on the preliminary estimations of quarterly national accounts of the first quarter of 2007 shows the degree to which economic indicators have deteriorated during the quarter in comparison with the quarters of 2006 since:

- GDP declined by 4.2% in the 1st quarter of 2007 as compared to the 4th quarter of 2006, while it deteriorated by 13.4% as compared to the 1st quarter of 2006.
- GDP per capita dropped in the 1st quarter of 2007 by 5% as compared to the 4th quarter of 2006, while it declined by 15.9% as compared to the 1st quarter of 2006.

Table 3: Main Economic Indicators in the Remaining West Bank and Gaza Strip

Indicator	1999	2002	2003	2004	2005	2006	1st Quarter 2007
GDP (million $, constant prices) (a)	4,511.7	3,838.9	4,165.3	4,247.7	4,502.6	4,107.0	918.5
GDP per capita ($, constant prices) (a)	1,612.3	1,191.3	1,272.3	1,246.2	1,281.6	1,129.2	247.4
Final Consumption Expenditure (million $) (a)	5,327.8	4,960.5	5,376.3	-	-	-	–
Aggregate Investment (million $) (a)	2,081.2	677.9	1,127.2	-	-	-	–
Government Expenditure (million $) (a)	1,010.6	1,168.6	1,128.2	-	-	-	–
Net Foreign Trade (million $)				(1843)	-	-	
Total Imports (million $)				2292	-	-	
Total Exports (million $)				449	-	-	
GNI (million $, constant prices) (a)	5,285.6	4,085.6	4,499.1	-	-	-	–
GNI per capita ($, constant prices) (a)	1,888.9	1,267.8	1,374.3	-	-	-	–
Employment (thousands)	588.3	487.1	590.7	604	633	666	698
Total employment in the local economy (thousands)	453.6	436.9	533.4	550	570.3	602.1	629.6
Total employment in Israel (thousands)	134.7	50.2	57.3	54	62.6	63.9	68.4
Labor force participation rate (%)	41.6	38.1	40.4	40.5	40.7	41.3	41.2
Unemployment rate (ILO definition)	11.8	31.3	25.6	26.8	23.5	23.6	21.6
Inflation rate (Shekels)	5.54	5.7	4.4	3	3.471	3.76	3.6
Poverty rate (percentage of the population)	21	60	72	61	-	-	–
Public revenues (million $)	901.2	335.34	747.69	947.0	1208.58	352.24	
Public expenditures (million $)	1194.33	1249.5	1513.0	1764.21	1924.70	1727.57	
Surplus/ Deficit before assistance (million $)	(293.12)	(914.16)	(765.31)	(817.21)	(716.12)	(1375.23)	
Surplus/ Deficit after assistance (million $)	(58.12)	(212.16)	(247.31)	(202.21)	(367.59)	(653.52)	
Actual Foreign Assistance (million $)	523.9	966.1	1,045.5	925	955	750.3	
Public debt (million $) (b)	286.62	950.0	1,552	1,706	1,818	1,824	
Bank Deposits by residents (million $)	2832	3430.1	3624.39	3957.76	4,190.2	4,202.5	4876.6
Credit facilities extended to residents (million $)	1005.46	950.25	1065.70	1420.33	1,910.4	1,903.4	1915.7

Note: Numbers in parenthesis are negative.

(a) Data for 2002-2006 and the 1st quarter of 2007 are preliminary and subject to revision and adjustment, and they are for the remaining West Bank and Gaza Strip in constant prices (base year: 1997).

(b) Data for 2003-2006 were updated based on the final data update conducted by the Ministry of Finance. Data for 2006 represent public outstanding debt as of the end of the 2nd quarter of 2006.

Structural distortions were manifested in the decline of productive sectors such as industry, agriculture and construction, in favor of service sectors, predominantly: public administration, defense and commercial services (see Table 4).

Table 4: The Contribution of Economic Activities in the GDP in the Remaining West Bank and Gaza Strip, in Constant Prices (1997 base year)

Economic Activity	1999	2002	2003	2004	2005*	2006**
Agriculture and Fishing	**10.4**	**9.9**	**10.1**	**7.5**	**6.9**	**8.1**
Manufacturing, water and electricity	**14.5**	**15.2**	**11.8**	**13.2**	**12.5**	**12.9**
Mining and quarrying	0.8	0.9	0.4	0.4	0.4	0.4
Transformational manufacturing	12.6	12.9	9.2	11.2	10.6	10.8
Water and Electricity supplies	1.1	1.4	2.2	1.6	1.5	1.7
Construction	**13.7**	**2.3**	**3.5**	**2.4**	**2.7**	**2.5**
Retail and Wholesale	**11.0**	**10.9**	**9.1**	**8.5**	**8.3**	**9.3**
Transportation, storage and telecom.	**5.1**	**9.9**	**9.1**	**10.5**	**10.4**	**11.2**
Financial Intermediaries	**3.7**	**3.8**	**3.4**	**4**	**4.2**	**4.5**
Services	**19.5**	**22.8**	**23.4**	**24.6**	**24.4**	**22.9**
Real estate	8.9	11.1	11.0	10.1	9.9	10.9
Community and social services	0.6	0.8	0.9	1	1.0	1.1
Hotels and restaurants	1.3	0.2	0.5	1.5	1.5	1.6
Education	5.8	7.4	8.2	7.6	7.6	6.2
Health and social work	2.9	3.3	2.8	4.4	4.4	3.1
Public administration and defense	**11.0**	**13.6**	**15.5**	17.3	**17.7**	**13.5**
Domestic services	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Publicly-owned enterprises	**3.5**	**3.7**	**2.0**	-	-	-
Subtract: financial intermediaries (with indirect clearing)	-2.8	-2.8	-2.9	-2.9	-3.1	-3.3
Add: Customs fees	4.6	4.8	3.5	6.5	6.1	6.9
Add: Net VAT from imports	5.6	5.7	11.3	8.2	9.9	11.2
GDP (%)	**100**	**100**	**100**	**100**	**100**	**100**
GDP (million $)	4,511.7	3,838.9	4,165.3	4,247.7	4,502.6	4,107.0

Source: PCBS, 2007, National Accounts, Ramallah – Palestine.

- * = First revision.
- ** = Second revision
- During 2004 to 2006, companies owned by the public sector were redistributed on various economic activities: wholesale and retail commercial trade, commercial renting of real estate, education, hotels and restaurants.

Table (5) presents a detailed picture about the difference in sectoral contributions between 2005 and 2006, and the resulting change between the four quarters of these two years and the first quarter of 2007.

Table 5: The Contribution of Economic Activities in the GDP in the Remaining West Bank and Gaza Strip by Quarters of 2005-2006, in Constant Prices (1997 base year), (%)

Economic Activities	2005				2006				2007
	Q1	Q2	Q3	Q4	Q1***	Q2***	Q3***	Q4**	Q1 *
Agriculture and Fishing	6.0	7.7	7.3	6.7	5.9	7.3	7.0	12.7	8.5
Manufacturing, water and electricity	13.3	12.7	12.4	11.7	11.1	12.3	14.0	14.5	13.7
Mining and quarrying	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Transformational manufacturing	11.3	10.7	10.5	9.9	9.3	10.3	11.7	12.1	11.4
Water and Electric supplies	1.6	1.6	1.5	1.4	1.4	1.6	1.8	1.9	1.8
Construction	2.2	3.0	2.8	2.5	2.6	2.6	2.6	2.4	2.9

Economic Activities	2005				2006				2007
	Q1	Q2	Q3	Q4	Q1***	Q2***	Q3***	Q4**	Q1 *
Retail and Wholesale	7.7	8.4	8.8	8.2	8.7	8.8	10.1	9.7	11.2
Transportation, storage and telecom.	10.8	10.3	9.8	10.1	11.4	10.7	11.4	12.0	13.7
Financial intermediaries	3.9	4.1	4.2	4.5	4.4	4.3	4.6	4.9	5.1
Services	24.5	23.5	24.6	25.1	24.2	24.3	22.6	20.2	18.9
Real estate	10.1	9.8	10.4	9.5	10.2	10.1	11.9	11.5	8.3
Community and social services	1.0	0.9	1.0	0.9	1.0	1.0	1.0	1.2	1.2
Hotels and restaurants	1.7	1.4	1.4	1.6	1.6	2.1	1.4	1.4	1.9
Education	7.3	7.3	7.8	8.0	7.6	7.4	5.6	4.0	4.9
Health and social work	4.4	4.1	4.0	5.1	3.8	3.7	2.7	2.1	2.6
Public administration and defense	16.3	16.0	18.0	20.2	15.6	14.2	13.6	10.2	11.7
Domestic services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Subtract: financial intermediaries (with indirect clearing)	-3.0	-3.1	-3.0	-3.1	-3.2	-3.2	-3.5	-3.7	-3.7
Add: Customs duties	5.6	5.9	6.5	6.6	5.9	6.5	7.5	8.0	8.4
Add: Net VAT from imports	12.5	11.3	8.4	7.3	13.2	12.0	9.9	8.9	9.3
GDP (%)	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
GDP (million $)	**1,086.6**	**1,117.2**	**1,157.0**	**1,141.8**	**1,060.6**	**1,071.8**	**1,016.0**	**958.6**	**918.5**

Source: PCBS, 2007, National Accounts, Press Release on Preliminary Estimations of Quarterly National Accounts (1st Quarter 2007), Ramallah – Palestine.
* Preliminary estimates (first edition).
** First data revision.
*** Second data revision.

The deterioration of the contribution of the productive sectors like agriculture and manufacturing industry, and the increase in the contribution of the different services sectors can be clearly seen.

3. Labor Market

The Palestinian labor market has suffered from imbalances between demand and supply throughout the years of occupation. The Palestinian labor force has increased rapidly, surpassing the local market's ability to absorb it. During the 1970's and 80's, surplus employment was generally absorbed by exporting Palestinian labor to labor markets to Israel and the Arab Gulf countries. However, in the early years of the 1990's the situation changed; as the Gulf War erupted in 1990, many Palestinians fled Kuwait and returned to the West Bank and Gaza Strip. Similarly, in terms of impact, Israel began to reduce the number of Palestinian workers inside the Green Line and the settlements.

From 1994-2000, the Palestinian labor market experienced some limited improvement with regards to the absorption of the Palestinian labor force. The public sector began to expand and employ some of the excess labor, reconstruction projects encouraged the private sector to increase its investments and its capacity to employ more workers, and Israel allowed more Palestinian workers to work inside the Green Line, particularly during 1998-2000.
With the eruption of the *Al-Aqsa Intifada*, labor market expansion stopped, and the labor market imbalance was exacerbated. This is mainly attributable to the vast decline in economic activity following the restrictive measures Israel took against the Palestinian people (sieges, closures, the construction of the separation Wall, and the restrictions on movement of persons and goods).

Table 6 illustrates that the average increase in manpower during the last seven years was higher than the average increase in the labor force. This indicates that labor force participation was declining. The Table also illustrates that the average increase in the labor force was higher than the average increase in employment. This indicates that average unemployment rate was rising (average annual increase was 11.4%). Also, average increase of employment in the public sector was higher than that of the private sector.

The following section examines labor market conditions as we compare the situation before the *Intifada* (the 1st quarter of 2000) with the current conditions of the labor market (in the 1st quarter of 2007), as well as making a comparison between the 1st quarter of 2007 and the 4th quarter of 2006. This comparison facilitates identification of short and long term trends in the labor market.

Table 6: Main Labor market Indicators: 1999-2006

Indicator	1999	2002	2003	2004	2005	2006
Manpower (thousands, 15 years and over)	1604	1822	1881	1954	2031	2111
Labor force (thousands, employed and unemployed)	667	694	750	790	827	872
Employed (thousands) Thereof:	588	477	564	578	633	666
▪ employed by the private sector	59%	66.1%	69.6%	68.8%	67.1%	66.7%
▪ employed by the public sector	18%	23.6%	20.7%	22.5%	23.0%	23.7%
▪ employed in Israel and the settlements	23%	10.3%	9.7%	8.7%	9.9%	9.6%
Unemployment rate (%)	11.8%	31.3%	25.6%	26.8%	23.5%	23.6%

Source: PCBS, Labor Force Survey, 1999-2006.

3.1 Labor Force and Labor Force Participation

The labor force participation rate (LFPR, i.e. the sum of employed and unemployed divided by population aged 15 years and above) grew substantially during the early nineties. After registering an average of 40% in the eighties, LFPR reached 44% in 1993; however, the local market's inability to absorb higher numbers of workers caused many to withdraw from the market, leading to a decrease in LFPR from the mid-nineties. After a slight increase in 2000 (to 41.5%), LFPR dropped again during the *Intifada* period, down to 38.1% in 2003. LFPR eventually improved again in 2004 and 2005. In the first quarter of 2007, LFPR reached 41.2% which is higher than the corresponding quarter of 2006 when it was 40%, but less than the pre-*Intifada* level (see Table 7). Nonetheless, the population increase during the past seven years offset this LFPR increase and therefore it can be observed that the number of employed at the end of 2006 surpassed the pre-*Intifada* level: 666,000 by the end of 2006 against 597,000 workers in 2000.

The abovementioned changes were associated with the following trends:

- There has been an important change along gender lines; although LFPR for males is presently less than before the *Intifada*, female LFPR has increased. This is primarily accredited to an increase in the West Bank, as women have increasingly entered the labor market to compensate for the lost income of their male relatives (see Table 7).
- Another change is related to workers' employment status. Table 8 below shows that the percentage of those employed in establishments they own or partially-own, and which do not employ waged workers, increased substantially. This increase was accompanied by a decrease in the ratio of waged workers.
- A further change in the labor market was associated with the share of employment across economic sectors. A comparison of the contribution of economic sectors prior to the *Intifada*

with that of the current period shows a large contribution by the services sector and a slight increase in the agricultural sector. However, the contribution of the agricultural sector was almost half that of the pre-*Intifada* period. Similarly, the contribution of mining, quarrying and manufacturing also declined (see Table 9).

Table 7: Labor Force Participation Rate in the Palestinian Territory According to Place of Work and Gender: 1999-2007 (%)

Region and	1999	2000	2001	2002	2003	2004	2005	2006	Q1/2000	Q1/2006	Q4/2006	Q1/2007
Both Genders												
West Bank	43.4	43.6	41.5	40.0	41.8	42.5	42.9	44.1	42.1	42.5	45.7	42.7
Gaza Strip	38.0	37.5	33.3	34.4	37.5	36.4	36.7	36.1	38.2	35.3	38.0	38.3
Palestinian territory	41.6	41.5	38.7	38.1	40.3	40.4	40.7	41.3	40.8	40.0	43.0	41.2
Males												
West Bank	72.4	73.0	70.5	67.1	68.5	68.7	69.5	69.8	71.5	68.4	69.7	67.5
Gaza Strip	67.4	64.2	59.4	62.2	65.4	63.5	63.9	63.7	66.1	63.7	64.8	65.4
Palestinian territory	70.7	70.1	66.8	65.4	67.5	66.9	67.6	67.7	69.7	66.8	68.0	66.7
Females												
West Bank	14.1	13.8	12.0	12.4	14.7	15.9	15.8	17.9	12.5	16.0	21.2	17.5
Gaza Strip	8.8	10.6	7.1	6.5	9.2	9.1	9.0	8.1	10.3	6.5	10.8	10.8
Palestinian territory	12.3	12.7	10.3	10.4	12.8	13.5	13.4	14.5	11.7	12.7	17.5	15.2

Source: PCBS, Labor Force Survey, 1999-2007.

Table 8: Percentage Distribution of the Employed Persons in the Palestinian Territory According to Employment Status and Region, 1999-2007 (%)

Region and Work Status	1999	2000	2001	2002	2003	2004	2005	2006	Q1/2000	Q1/2006	Q4/2006	Q1/2007
West Bank												
Establishment owner	6.6	5.1	4.6	4.1	4.1	5.0	5.0	4.7	6.0	4.8	4.4	3.4
Self-employed	18.6	20.6	25.6	27.8	29.3	28.1	27.6	27.0	19.6	28.5	24.5	26.9
Paid worker	66.5	64.7	60.1	57.5	55.3	55.1	56.4	55.7	66.8	57.4	53.7	59.0
Unpaid family member	8.3	9.6	9.7	10.6	11.3	11.8	11.0	12.6	7.6	9.3	17.4	10.7
Gaza Strip												
Establishment owner	2.8	3.3	5.0	2.6	2.2	1.9	2.6	4.2	3.1	2.5	7.2	4.1
Self-employed	19.1	17.2	19.5	24.3	24.5	22.2	22.4	19.4	20.0	21.5	15.6	19.9
Paid worker	71.1	69.5	67.7	63.6	61.7	66.5	67.1	69.6	68.8	71.0	67.3	65.8
Unpaid family member	7.0	10.0	7.8	9.5	11.6	9.4	7.9	19.8	8.1	5.0	9.9	10.2
Palestinian territory												
Establishment owner	5.5	4.6	4.7	3.7	3.5	4.1	4.3	4.6	5.1	4.2	5.2	3.6
Self-employed	18.7	19.6	24.0	26.8	27.8	26.5	26.1	25.0	19.7	26.6	22.2	24.9
Paid worker	67.8	66.1	62.1	59.2	57.2	58.3	59.5	59.3	67.4	61.1	57.2	61.0
Unpaid family member	8.0	9.7	9.2	10.3	11.5	11.1	10.1	11.1	7.8	8.1	15.4	10.5

Source: PCBS, Labor Force Survey, 1999-2007.

It is well known that these changes came about as a direct result of the Israeli closure and siege measures against the Palestinian territory, which intensified during the period 2001-2004. These effects, however, started to decline in 2005. It is also noticeable that such effects occurred at a faster pace in the West Bank compared to the Gaza Strip.

Table 9: Distribution of the Employed Persons in the Palestinian Territory According to Region and Economic Activity, 1999-2007 (%)

Economic Activity and Region	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2000	Q1/2006	Q4/2006	Q1/2007
Palestinian territory												
Agriculture and fishing	12.6	13.7	11.7	14.9	15.7	15.9	14.6	16.1	10.7	14.3	21.5	14.7
Mining and manufacturing	15.5	14.3	13.9	12.9	12.5	12.7	13.0	12.4	15.4	13.2	12.2	12.5
Construction	22.1	19.7	14.5	10.9	13.1	11.7	12.9	11.1	24.3	13.6	9.5	10.7
Services and other	28.1	29.9	34.6	35.7	32.8	34.9	34.4	35.5	24.9	30.8	34.4	36.7
West Bank												
Agriculture and fishing	11.5	12.5	12.1	14.1	14.9	16.9	15.7	17.8	16.9	10.1	24.1	15.3
Mining and manufacturing	16.5	15.4	15.5	14.5	14.0	14.0	14.8	14.6	12.1	7.3	14.2	14.8
Construction	23.9	22.2	18.2	12.7	14.3	13.0	14.4	12.9	14.7	8.3	11.1	12.8
Services and other	24.7	25.5	28.0	31.1	29.4	29.5	28.5	29.0	38.5	51.8	27.7	30.9
Gaza Strip												
Agriculture and fishing	15.2	16.5	11.6	16.6	17.4	13.4	11.7	11.1	12.6	13.2	14.1	13.3
Mining and manufacturing	13.1	11.5	9.7	8.9	9.2	9.1	8.3	6.3	14.4	11.6	6.3	7.1
Construction	17.8	13.5	4.4	6.3	10.4	8.2	9.3	6.0	21.4	12.2	4.9	5.6
Services and other	36.5	41.0	53.3	47.6	40.9	49.1	49.4	53.7	29.0	36.5	53.4	50.5

Source: PCBS, Labor Force Survey, 1999-2007.

It is natural that such structural changes would lead to changes in the distribution of workers in the West Bank and Gaza Strip, especially as each region was affected by the *Intifada* in a different way. Therefore, the adjustment dynamics were different in the West Bank from those in the Gaza Strip, particularly after Israel unilaterally disengaged from Gaza only to impose a complete closure on the Gaza Strip by land, air and sea (see Table 10).

Table 10: Distribution of Employment in the Palestinian Territory According to Place of Work, 1999-2007 (%)

Place of Work	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2000	Q1/ 2006	Q4/ 2006	Q1/ 2007
West Bank	52.9	56.0	61.4	62.7	60.9	64.1	61.7	64.4	53.0	63.1	64.6	61.2
Gaza Strip	24.2	24.4	24.8	27.0	29.4	27.2	28.4	26.0	25.1	27.1	25.9	29.0
Israel & Settlements	22.9	19.6	13.8	10.3	9.7	8.7	9.9	9.6	21.9	9.8	9.5	9.8

Source: PCBS, Labor Force Survey, 1999-2007.

3.2 Unemployment

The problem of unemployment started to surface in the early nineties, and reached 23.6% in 1996. The situation deteriorated during the second *Intifada* with unemployment increasing to 31.3% in 2002. It then slightly declined by the end of 2003 as a result of improved economic activity, ultimately falling to 22% during the 4th quarter of 2006. A comparison of unemployment in the 4th quarter of 2006 with that of the 3rd quarter of 2000 shows that it more than doubled in the period, and the rate in the 4th quarter of 2006 is lower than that of the earlier quarter of the same year (see Table 11).

Table 11: Unemployment Rate (%) for Individuals Aged 15 Years and Over in the Palestinian Territory According to Gender and Region, 1999-2006

Region and Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2000	Q1/ 2006	Q4/ 2006	Q1/ 2007
Palestinian territory												
Males	11.6	14.7	26.9	33.5	26.9	28.1	23.7	24.2	10.7	25.6	23.5	22.2
Females	13.0	12.3	14.0	17.0	18.5	20.1	22.3	20.5	12.1	23.5	16.2	18.9
Total	11.8		25.2	31.3	25.6	26.8	23.5	23.6	10.9	25.3	22.0	21.9
West Bank												
Males	9.2	12.8	23.3	30.9	25.5	24.3	20.8	18.9	8.8	21.5	17.4	17.8
Females	11.1	9.9	10.9	14.0	15.8	16.6	18.3	17.6	10.0	21.0	12.5	15.2
Total	9.5	12.1	21.5	28.2	23.8	22.9	20.3	18.6	8.9	21.4	16.2	17.3
Gaza Strip												
Males	16.6	19.0	35.3	39.1	29.6	35.9	29.6	35.1	15.0	34.0	35.6	30.5
Females	19.3	18.5	24.2	28.4	26.8	31.6	35.2	32.3	17.0	35.1	29.8	29.8
Total	16.9	18.7	34.2	38.1	29.2	35.4	30.3	34.8	15.3	34.1	34.8	30.4

Source: PCBS, Labor Force Survey, 1999-2007.

The following are the main characteristics of unemployment in the current period:

- The highest rate of unemployment is found amongst the young, particularly those aged 15-24 (see Table 13).
- There is a fundamental difference between male and female unemployment rates, particularly with regards to years of schooling. The unemployment rate for individuals having 13 years or more of schooling was higher for females than males. Actually, this difference has existed in the Palestinian labor market for some time, which indicates that female labor force participation is increasing at a higher rate than the average increase in the demand for females in the labor market (see Table 14).

Table 12: Total Number of Unemployed in the Palestinian Territory According to Region, 1999-2007 (%)

Region	1999	2000	2001	2002	2003	2004	2005	2006	Q1/	Q1/	Q4/	Q1/
West Bank	44,000	59,364	102,465	135,292	122,924	124,418	115,417	112,735	41,078	122,922	103,200	103,800
Gaza Strip	35,000	40,166	67,612	81,757	70,919	87,155	78,606	92,837	32,375	87,375	99,400	88,300
Palestinian territory	79,000	99,530	170,078	217,049	193,843	211,573	194,023	205,572	73,453	210,297	202,600	192,100

Source: PCBS, Labor Force Survey, 1999-2007.

Table 13: Unemployment Rate in the Palestinian Territory According to Gender and Age Groups: 1999-2007 (%)

Age group & Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/2000	Q1/2006	Q4/2006	Q1/2007
Both Genders												
15-24	17.3	20.0	35.6	48.2	38.4	39.8	36.4	35.7	15.7	39.1	33.7	34.6
25-34	11.4	14.7	24.9	36.6	24.1	25.1	22.0	23.0	11.5	23.9	22.0	20.6
35-44	9.0	11.0	22.2	37.2	21.6	22.2	18.6	18.7	8.1	21.1	16.1	16.7
45-54	8.8	9.2	18.7	30.5	19.0	22.2	19.1	18.7	7.2	19.8	16.6	16.6

Age group & Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/2000	Q1/2006	Q4/2006	Q1/2007
55+	5.9	5.9	12.5	27.7	13.2	15.1	12.1	11.6	5.9	11.9	12.3	10.3
Total	**11.8**	**14.1**	**25.5**	**38.0**	**25.6**	**26.8**	**23.5**	**23.6**	**10.9**	**25.3**	**22.0**	**21.6**
Males												
15-24	16.9	19.6	36.2	47.0	38.3	38.9	34.8	34.4	15.1	37.8	32.8	33.1
25-34	10.5	14.3	26.4	37.4	25.1	26.1	21.3	22.9	10.5	23.6	23.0	20.6
35-44	8.8	12.0	24.7	39.7	23.6	24.4	19.7	20.1	8.2	21.9	18.3	17.9
45-54	9.6	10.5	21.3	32.2	21.3	25.4	21.9	21.5	8.2	22.0	20.2	18.8
55+	6.9	7.3	14.7	30.0	15.5	17.8	14.3	13.8	7.3	13.9	15.6	18.5
Total	**11.6**	**14.4**	**27.3**	**39.0**	**26.9**	**28.1**	**23.7**	**24.2**	**10.7**	**25.6**	**23.5**	**22.2**
Females												
15-24	20.6	22.9	30.7	59.7	39.1	44.8	46.1	43.2	20.5	47.9	38.0	43.4
25-34	16.1	17.1	15.4	28.9	19.4	20.6	25.5	23.1	17.7	25.0	18.1	20.9
35-44	9.8	6.2	7.5	14.1	10.8	11.5	13.2	12.2	7.4	16.8	8.0	11.6
45-54	5.2	2.4	3.7	10.9	6.5	5.0	4.2	5.2	2.5	7.5	3.3	6.7
55+	1.8	0.7	0.6	1.5	1.3	1.2	1.9	1.4	-	2.6	1.1	0.7
Total	13.0	12.3	14.1	28.4	18.6	20.1	22.3	20.5	12.1	23.5	16.2	18.9

Source: PCBS, Labor Force Survey, 1999-2007.

Table 14: Unemployment Rate in the Palestinian Territory by Gender and Years of Schooling, 1999-2007 (%)

Number of school years and Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/2000	Q1/2006	Q4/2006	Q1/2007
Both Genders												
0	5.4	5.7	12.2	17.4	12.4	14.1	8.0	8.4	4.6	11.4	6.2	11.2
1-6	12.2	16.0	31.1	37.9	28.8	31.3	26.2	27.9	11.8	30.9	27.0	24.7
7-9	11.9	15.3	29.8	37.3	28.9	29.6	24.8	25.1	11.6	27.8	22.6	23.4
10-12	11.7	14.0	27.4	33.6	26.8	27.8	23.5	23.9	10.1	24.9	23.7	22.3
13+	12.5	12.8	16.3	18.9	19.9	21.3	21.8	20.8	11.5	21.6	17.9	18.3
Total	**11.8**	**14.1**	**25.5**	**31.3**	**25.6**	**26.8**	**23.5**	**23.6**	**10.9**	**25.3**	**22.0**	**21.6**
Males												
0	9.3	11.9	22.4	29.2	22.4	27.3	16.4	16.5	9.2	21.7	13.9	23.4
1-6	13.4	17.6	33.8	41.3	31.8	35.0	28.8	31.0	12.7	33.1	31.8	28.3
7-9	12.4	15.9	31.1	38.9	30.6	31.2	26.0	26.8	11.7	28.7	25.2	25.2
10-12	11.7	14.7	28.9	34.9	28.1	29.4	24.1	25.0	10.3	25.7	25.8	23.4
13+	8.8	9.3	14.1	17.5	16.3	16.8	16.6	15.9	8.5	17.1	12.4	12.5
Total	**11.6**	**14.4**	**27.3**	**33.5**	**26.9**	**28.1**	**23.7**	**24.2**	**10.7**	**25.6**	**23.5**	**22.2**
Females												
0	1.1	0.3	0.7	2.2	2.4	1.8	1.6	1.8	0.3	2.3	0.9	2.7
1-6	3.2	3.2	5.2	7.6	5.6	6.2	7.8	9.1	3.6	15.3	5.3	6.4
7-9	6.3	7.8	8.7	12.7	9.8	11.1	11.3	9.1	11.0	17.3	5.8	7.4
10-12	11.6	8.0	7.7	18.2	14.8	12.6	17.2	13.2	8.6	16.2	9.8	12.0
13+	21.9	21.9	22.2	22.5	28.3	30.8	32.5	31.3	19.7	31.2	29.0	30.6
Total	**13.0**	**12.3**	**14.1**	**17.1**	**18.6**	**20.1**	**22.3**	**20.5**	**12.1**	**23.5**	**16.2**	**18.9**

Source: PCBS, Labor Force Survey, 1999-2007.

3.3 Wages and Work Hours

The average daily wages in the West Bank and the Gaza Strip both remained roughly constant between the fourth quarter of 2006 and the first quarter of 2007, at NIS 79.4 and NIS 66.9 respectively. The average daily wage for paid workers in Israel and the settlements decreased from NIS 130.6 in the fourth quarter of 2006 to NIS 128.5 in the first quarter of 2007 (see Table 15).

Table 15a: Average Weekly Work Hours, Number of Monthly Working Days and Daily Wage in Shekels for Paid Workers in the Palestinian Territory by Region, 1999-2006

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
1999				
West Bank	44.6	23.5	66.2	60.0
Gaza Strip	43.2	24.0	51.4	46.2
Israel & Settlements	44.4	20.3	105.8	100.0
Total	44.2	22.6	75.5	69.2
2000				
West Bank	43.6	24.4	69.5	61.5
Gaza Strip	41.7	24.5	53.3	50.0
Israel & Settlements	43.6	20.2	110.4	100.0
Total	**43.1**	**23.2**	**77.3**	**69.2**
2001				
West Bank	43.2	23.6	69.3	60.0
Gaza Strip	40.1	24.6	54.4	50.0
Israel & Settlements	42.6	20.0	107.2	100.0
Total	**42.2**	**23.1**	**73.0**	**61.5**
2002				
West Bank	40.9	22.8	71.4	60.0
Gaza Strip	40.0	24.1	54.9	50.0
Israel & Settlements	43.9	21.5	117.3	115.4
Total	**41.1**	**23.0**	**74.0**	**60.0**
2003				
West Bank	42.3	23.7	72.7	60.0
Gaza Strip	40.6	22.6	53.2	50.0
Israel & Settlements	44.9	21.8	125.1	134.6
Total	**42.1**	**23.0**	**74.0**	**60.0**
2004				
West Bank	43.0	24.0	72.6	61.5
Gaza Strip	41.6	23.2	58.2	52.5
Israel & Settlements	46.3	22.0	126.7	134.6
Total	**43.0**	**23.5**	**74.9**	**62.2**
2005				
West Bank	42.5	23.6	73.7	65.4
Gaza Strip	41.2	24.0	61.9	57.7
Israel & Settlements	–	–	–	–
Total	**42.4**	**23.4**	**78.1**	**69.2**
2006				
West Bank	42.2	23.1	77.9	69.2
Gaza Strip	39.9	24.0	68.9	65.4
Israel & Settlements	43.8	21.3	131.6	134.6
Total	**41.7**	**23.1**	**83.3**	**73.1**

Source: PCBS, Labor Force Survey, 1999-2007

Table 15b: Average Weekly Work Hours, Number of Monthly Working Days and Daily Wage in Shekels for Paid Workers in the Palestinian Territory by Region, 1999-2007

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
Q1 2000				
West Bank	41.8	23.0	68.7	61.5
Gaza Strip	41.3	24.5	52.7	50.0
Israel & Settlements	42.6	19.6	108.6	100.0
Total	**41.9**	**22.3**	**77.1**	**69.2**
Q1 2006				
West Bank	41.6	23.2	77.9	70.0
Gaza Strip	40.4	23.5	70.1	65.4
Israel & Settlements	43.2	20.7	130.1	134.6
Total	**41.4**	**22.9**	**83.4**	**73.1**
Q4 2006				
West Bank	41.5	22.1	79.3	67.3
Gaza Strip	37.7	23.5	67.0	61.5
Israel & Settlements	42.3	20.4	130.6	134.6
Total	**40.4**	**22.3**	**83.1**	**70.0**
Q1 2007				
West Bank	41.9	22.2	79.4	70.0
Gaza Strip	40.6	23.5	66.9	61.5
Israel & Settlements	44.6	20.9	128.5	130.0
Total	**41.9**	**22.4**	**82.8**	**73.1**

Source: PCBS, Labor Force Survey, 1999-2007.

3.4 Vacancy Announcements in Local Newspapers

The number of job vacancies advertised in local papers totaled 878 during the second quarter of 2007 (see Table 16). Approximately 68.1% of these were for the private sector and 28.9% for NGOs, while the share of the public sector declined drastically to 3% from 9.7% in the previous quarter after the freezing of recruitment in the public sector. There were 65 other job vacancies announced during the same quarter unrelated to any specific sector.

Table 16: Number of Job Vacancies Advertised in Local Newspapers by Economic Sector for the 2nd Quarter of 2007

	Public sector	Private sector	NGO	Total
April	12	265	63	**340**
May	13	148	106	**267**
June	1	185	85	**271**
Total	**26**	**598**	**254**	**878**

Source: Data were compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 17 shows the distribution of jobs according to academic qualifications. The Table shows that 67.9% of vacancies require a bachelor's degree, 19% require a two-year college diploma, 10.8% require a MA degree or higher, and 2.3% of jobs did not require any specific qualifications.

Table 17: Number of Vacancy Announcements Advertised in Local Newspapers According to Academic Qualifications during 2nd Quarter of 2007

	MA or higher	Bachelor degree	College diploma	Less than diploma	Total
April	33	241	59	7	340
May	12	205	41	9	267
June	50	150	67	4	271
Total	**95**	**596**	**167**	**20**	**878**
%	10.8	67.9	19.0	2.3	100

Source: Data were compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 18 shows that the number of vacancies advertised in the second quarter of 2007 was 792 in the West Bank, an increase of 7.6% compared to the number in the first quarter of 2007, and 86 in the Gaza Strip, a drop of 11.3% in the same period. It is possible to attribute the decline in the number of vacancies in the Gaza Strip to the prevalent political circumstances and the conditions imposed by Israel. These resulted in a contraction in the economic activities generally, a situation which necessarily ended up in a decline in employment rate.

On the other hand, the number of vacancies in the central region of the West Bank witnessed an increase by 19.3% since the first quarter, while the northern governorates and the southern governorates saw decreases, by 1.6% and 31.1%, respectively. The increase in the number of advertised vacancies in the central region could indicate a motivation for economic migration within the West Bank, particularly in light of the corresponding decline in northern and southern governorates. Therefore, more efforts on the part of the responsible authorities are required to create programs and plans that would provide more job opportunities in those regions to limit internal migration to the central region.

Table 18: Number of Vacancies Advertised in Local Newspapers by to Region in the 2nd Quarter of 2007

	West Bank			Total advertised job vacancies in the WB	Gaza Strip
	North	Center	South		
April	59	215	40	314	26
May	40	183	24	247	20
June	21	190	20	231	40
Total	120	588	84	792	86
%	15.2	74.2	10.6	90.2	9.8

Source: Data were compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida)

Table 19 shows the relationship between the three sectors and required academic qualification according to job advertisements. As mentioned above, the Bachelor's degree is the most-required qualification, and it takes the highest percentage in all sectors as its share amounts to 63.7% in the private sector, 67.8% in the public sector, and 77.2% in the NGO sector, followed by college diploma with a share of 21.9% in the private sector, 14.3% in the public sector, and 12.6% in the NGO sector. The Master's degree or higher has a share of 11.2% in the private sector, 10.7% in the public sector, and 9.8% in the NGO sector.

Table 19: Number of Vacancies Advertised in Local Newspapers by Academic Qualification and Sectoral Distribution in the 2nd Quarter of 2007

	Public Sector	Private Sector	NGOs	Total
MA or higher	3	67	25	**95**
Bachelor degree	19	381	196	**596**
College diploma	4	131	32	**167**
Less than diploma	0	19	1	**20**
Total	**28**	**598**	**254**	**878**

Source: Data were compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

On the other hand, and when a comparison between the second quarter and the preceding quarter is made, we find that the number of vacancies that were advertised for Bachelor's degree holders had declined by 7.1% in the NGO sector, while it increased by 18% in the private sector and dropped significantly in the public sector by 66%. This indicates a decline after a wave of employment in the public sector that lasted from 2006 until the beginning of 2007. It is also observed that the number of vacancies for holders of a Master's degree or above had increased by 24% in the private sector. This increase can be attributed to the entry of new firms and the growth of economic activities in the private sector at a rate beyond the growth in the public sector or the NGO sector. This is contrary to what happened during the first quarter of 2007 which was characterized by the need of the public sector to employ more persons with higher degrees (mainly Master's degrees and above), because of a need at that time to cover some senior roles requiring special skills.

Regarding the demand for particular specializations, management and accountancy were the most highly demanded (49.1%), followed by medicine, engineering and information technology (42%) and social sciences (8.9%).

4. Banking Developments

4.1 Number of Banks and Bank Branches

The banking sector was one of the first victims of the Israeli occupation in 1967 as the Israeli occupation authorities closed all Palestinian, Arab and foreign banks in the West Bank and Gaza Strip, and they allowed only Israeli banks to operate there. These authorities did not allow the Palestinians to practice banking activities until the end of the 1980s, and then only a very limited spectrum of these activities were permitted. In the early 1990s, there were only two banks operating in the Palestinian territory through 13 branches.

With the inauguration of the PNA in 1994, the situation changed totally as Arab banks returned to the OPT, including those present before the Israeli occupation and other new firms. Some non-Arab banks also entered the market and Palestinian banks were established with local capital. Meantime, investment companies were established with Arab financial capital and from Diaspora Palestinians. In the beginning of 2007, the number of banks operational in the Palestinian territory had reached 22 banks with 155 branches.

Generally speaking, the banking activity in the first quarter of 2007 was a reflection of the overall economic malaise in the Palestinian territory. This appeared in the following three trends in the banking sector:

- An increase in the asset/liability ratio,

- A decline in the credit available to the private sector, and
- A decline in the foreign investments-to-deposits ratio (despite the increase in its absolute value).

In the following subsections we will review the developments in the banking activities in the first quarter of 2007.

4-2 General Situation of Banks

The number of banks operating in the Palestinian territory during the first quarter of 2007 remained at 22, while the number of branches increased to 155, up from 152 in the fourth quarter of 2006. This increase is attributed to opening of a Palestine Bank's new branch in Dora (near Hebron), a new branch of the Palestinian Islamic Bank in Rafah, and a new branch of the Housing Bank in Jenin (see Table 20).

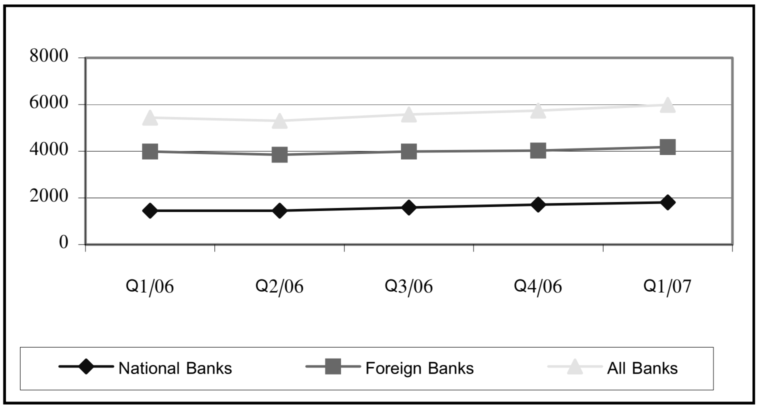
Table 20: Developments in Number of Banks and Branches in the Palestinian Territory During 2007

Period	Region	Administration			Number of Branches		
		General	Regional	Total	General	Regional	Total
Q4, 2006	WB	9	10	19	54	59	113
	GS	2	1	3	25	14	39
	Total	**11**	**11**	**22**	**79**	**73**	**152**
Q1, 2007	WB	9	10	19	55	60	115
	GS	2	1	3	25	15	40
	Total	**11**	**11**	**22**	**80**	**75**	**155**

Source: PMA, unpublished data.

The total assets/liabilities of banks operating in the Palestinian territory amounted US $5,982.9 million during the first quarter of 2007, an increase of 4.3% over the fourth quarter of 2006. This was due to the increase of the assets of national banks by 5.5% to US $1,804.6 million, and the increase of the assets of foreign banks by 3.8% to US $4,178.4 million) (see Figure 1).

Figure 1: Development in Banks' Assets/Liabilities in the Palestinian Territory in 2006 and 2007



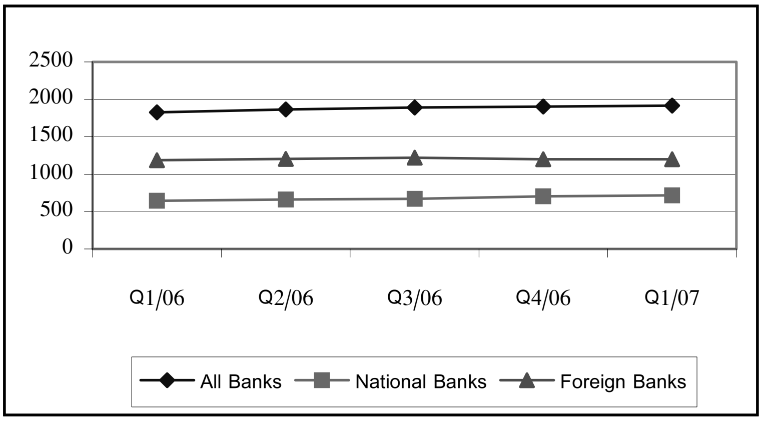
Source: PMA, unpublished data.

4.3 Credit Facilities

The outstanding value of credit facilities by all banks operational in the Palestinian territory during the first quarter of 2007 increased by 0.7% to a total of US $1,915.7 million, compared to US

$1,903.3 million in the fourth quarter of 2006. Approximately US $717.9 million of the total credit facilities were provided by national banks and US $1,197.8 million came from foreign banks (see Figure 2).

Figure 2: General Trends in Credit Facilities in the Palestinian Territory



Source: PMA, Monthly Statistical Bulletin, various issues.

The distribution of credit facilities according to ***borrowers*** shows that the public sector received about 25.9% of all credit facilities in the first quarter of 2007 as compared to 25.3% in the fourth quarter of 2006, while the private sector (either resident or non-resident) received 74.1% of all credit facilities in the first quarter of 2007 as compared to 74.6% in the fourth quarter of 2006 (see Table 21).

Table 21: The Distribution of the Credit Facility Portfolio: Quarterly Analysis 2006 and 2007 (Million $)

	2006				2007
	Q1	**Q2**	**Q3**	**Q4**	**Q1**
Geographical Distribution					
WB Governorates	1257.2	1333.3	.1371	1378.7	1441.5
GS Governorates	569.8	532	519.7	524.6	474.2
Borrowing party					
Public sector	591	506.7	479.5	483.6	496.8
Private sector (resident)	1165.4	1267.7	1320.8	1336	1336.1
Private sector (non-resident)	70.5	90.9	90.6	83.7	82.8
Credit Facility Type					
Loans	1178.7	1184.9	1200.5	1191.1	1198.2
Overdrafts	637.9	667.7	679.8	701.8	704.9
Leases	10.4	12.6	10.5	10.4	10.5
Bills and banker's acceptances	0.07	0.07	0.07	0.06	2
Type of Currency					
US Dollar	1260.6	1309.3	1338.8	1346.7	1346.3
Jordanian Dinar	220.4	236.2	226.5	209.2	213.82
Israeli Shekel	335.45	308.5	309.8	332.8	341
Other	10.7	11.3	15.7	14.7	14.5
Total	**1827.1**	**1865.32**	**1890.8**	**1903.3**	**1915.7**

Source: PMA, Monthly Statistical Bulletin, various issues.

The distribution of credit facilities according to the ***type of credit facility*** shows that loans retained their leading position, comprising 62.7% of the total credit extended in the Palestinian territory in the first quarter of 2007. Overdrafts came in second, comprising 36.8% of total credit provided, followed by leases and bankers' acceptances at 0.7% each (see Table 21).

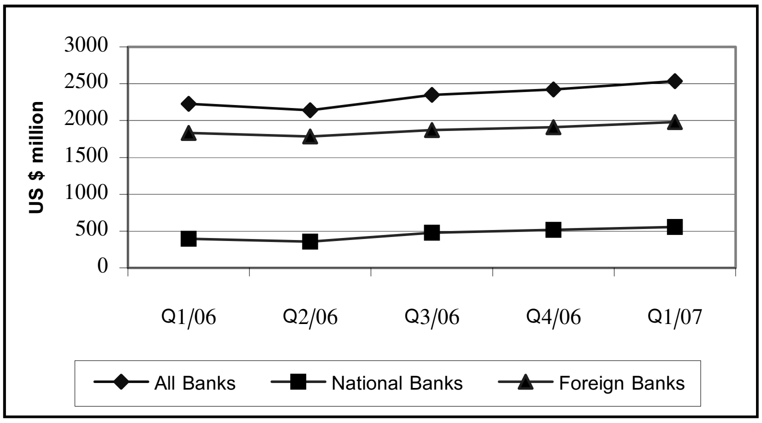
The distribution of credit facilities by ***currency*** reveals that the proportion of credit facilities in US dollars constituted the lion's share at 70.3%; the Israeli Shekel came at the second place with a share of 17.8%, while the Jordanian Dinar came in the third place with a share of 11.1% during the first quarter of 2007. The share of credit facilities in other currencies constituted a share of 0.8% (see Table 21).

The distribution of credit facilities by ***economic sector*** reveals that the proportion of credit facilities extended to general trade activities decreased to 19% of all credit facilities in the first quarter of 2007, compared to 19.2% in the fourth quarter of 2006. The remaining credit facilities were distributed among the remaining sectors in the first quarter of 2007 as compared to the preceding quarter in the following manner: construction sector 11.4% compared to 11%; public sector 8.7% compared to 8.6%; industry and mining 5.9% compared to 6.2%; financial services 5.8% compared to 5.5%; and agriculture 0.9% compared to 0.8%. The share of 'other purposes' increased to 48.8% of all credit facilities in this quarter as compared to 48.2% in the previous quarter.

4.4 Foreign Investments by Banks

Foreign investments by banks operating in the Palestinian territory reached US $2,535.6 million, an increase of 4.6% over the fourth quarter of 2006. The bulk of foreign investments by foreign banks amounted to US $1981.1 million, while national banks invested US $554.5 million of their capital abroad (see Figure 3).

Figure 3: Banks' Foreign Investment by Quarter: 2006 and 2007



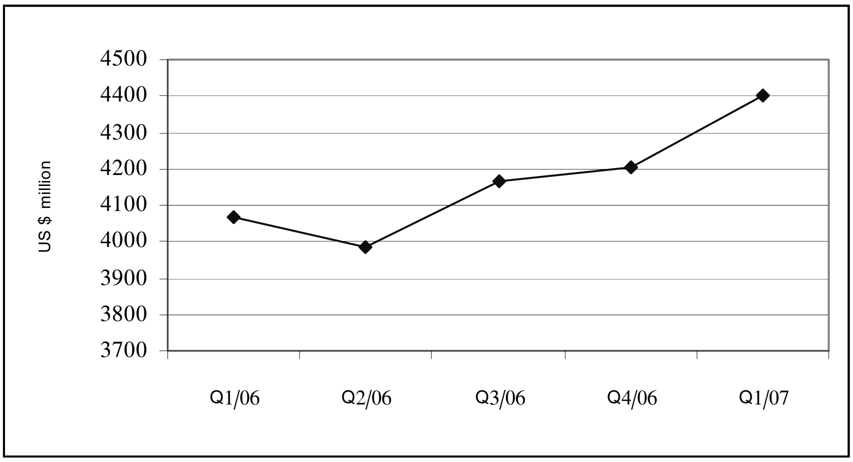
Source: PMA, Monthly Statistical Bulletin, various issues.

4.5 Deposits

Total bank deposits of all operating banks in the Palestinian territory during the first quarter of 2007 increased by 4.6%, reaching US $4,876.6 million, compared to US $4,662.7 million in the fourth quarter of 2006 – of which 90.3% were client deposits[1] and 9.7% were bank deposits (see Figure 4).

[1] Clients' deposits include deposits of the private and public sectors.

Figure 4: Trends in Clients' Deposits by Quarter for 2006 and 2007



Source: PMA, Monthly Statistical Bulletin, various issues.

4.5.1 Distribution of Clients' Deposits by Geographical Region

Clients' deposits in the northern governorates increased in the first quarter of 2007 by 5.6% to reach US $3,468.16 million as compared to US $3,285.56 million in the preceding quarter of 2006, while those of the southern governorates increased by 1.9% to reach US $934.21 million as compared to US $917 million in the previous quarter. The relative importance of deposits in the northern governorates reached 78.8% of total deposits as compared with 78.2% in the last quarter of 2006.

4.5.2 Distribution of Deposits According to the Depositing Party

Total private sector deposits in the first quarter of 2007 amounted to US $3,989.79 million, an increase of 4.3%, as compared to US $3,826.09 million in the previous quarter. Residents' accounts comprised 97.8% of total private sector deposits and 82% of all clients' deposits, while non-residents' deposits increased to US $412.58 million as compared to US $334 million in the last quarter of 2006.

4.5.3 Distribution of Clients' Deposits According to Deposit Type

Deposits of all types registered an increase during the first quarter of 2007. Current account deposits increased by 3.2% and reached US $1448.8 million as compared to US $ 1,403.87 million in the last quarter of 2006. Savings deposits also increased by 3.1% to reach US $956.19 million in the first quarter of 2007 as compared to US $927.38 million in the last quarter of 2006. Time deposits increased by 6.7% during the same period, increasing to US $1997.4 million as compared to US $1871 million in the last quarter of 2006.

Time deposits constituted the lion's share since it reached 45.4% of the total clients' deposits, while the current accounts came at the second place with a share of 32.2%, and the saving deposits came third at 21.7% of total clients' deposits.

4.5.4 Distribution of Clients' Deposits by Currency

Different currencies retained their relative importance in clients' deposits as the US dollar dominated them by a share of 54.1%, followed by the Jordanian Dinar at 25.6%, the Israeli Shekel at 15%, and other currencies at 5.3% (see Table 22).

Table 22: Distribution of Clients' Deposits by Quarter for 2006 and 2007

	2006				2007
	Q1	Q2	Q3	Q4	Q1
By Geographical Distribution (%)					
WB Governorates	76.6	77.7	77.6	78.3	78.8
GS Governorates	23.4	22.3	22.4	21.7	21.2
By Depositing Party (%)					
Public Sector	9.8	8.4	9.6	9	9.4
Private sector-resident	88.1	89.5	88.2	88.9	88.6
Private Sector-non-resident	2.1	2.1	2.2	2.1	2
By Type of Deposit (%)					
Current	35.1	33.4	34.2	33.4	32.9
Saving	21.0	22.3	21.7	22.1	21.7
Time	43.9	44.3	44.1	44.5	45.4
By Type of Currency (%)					
US Dollar	53.2	53.7	54.2	54.4	54.1
Jordanian Dinar	25.1	25.9	25.3	29	25.6
Israeli Shekel	16.7	15.5	15.3	12.5	15
Other	5.0	4.9	5.2	4.1	5.3

Source: PMA, Monthly Statistical Bulletin, various issues.

4.6 Equity[2]

The equity of banks operational in the Palestinian territory rose by 1.5% during the first quarter of 2007 over the last quarter of 2006 to reach US $612.5 million. Operating profits reached US $15.8 million during the first quarter of 2007 (see Table 23).

Table 23: Main Items in Banks' Consolidated Balance Sheet by Quarter: 2006-2007

Item	2006				2007
%	Q1	Q2	Q3	Q4	Q1
Cash	3.9	3.9	3.9	3	3.9
Balances with the PMA	9.8	9.5	9.0	9.1	8.8
Balances with other banks	2.8	2.7	2.8	3.7	4.4
Balances with other banks abroad	40.5	40.2	41.9	42.1	42.1
Credit Facilities	33.6	35.2	33.9	33.2	32
Portfolio Investment	4.2	2.9	3.1	3.2	3.1
Other Assets	5.2	5.6	5.4	5.7	5.7
Assets =Liabilities	100	100	100	100	100
Clients' deposits	74.7	75.2	74.8	73.2	73.6
PMA deposits	3	2.7	2.9	3.1	2.4
Deposits of banks operating in Palestine	2.8	2.2	2.7	3.3	4.5
Deposits of banks operating outside Palestine	1.6	1.6	1.4	1.6	1.0
Equity	10	9.7	9.7	10.6	10.3
Bad-debt allowance	2.6	2.4	2.4	2.5	2.7
Other liabilities	5.3	6.2	6.1	5.7	5.5

Source: PMA, Monthly Statistical Bulletin, various issues.

[2] Equity includes paid capital, reserves, profits and underwriting premiums.

4.7 Selected Bank Performance Indicators

Table 24 illustrates main developments in bank performance indicators of banks operational in the Palestinian territory – more details are provided in the sub-sections that follow.

4.7.1 Capital Adequacy

Capital adequacy indicates the ability of banks to face expected and unexpected risks that their resources (especially deposits) might face. This ratio for banks operating in the Palestinian territory decreased to 21.7% in the first quarter of 2007 as compared to 23.2% in the last quarter of 2006.

4.7.2 Bad Debt Provisions to Total Credit Facility[3]

This ratio increased to reach 8.5% in the first quarter of 2007 as compared to 7.5% in the fourth quarter of 2006. This indicator measures the amount of provisions which banks have set aside to meet credit risks and which are debited against the income statement as a percentage of total credit facilities. This ratio is calculated according to a pre-set PMA ratio.

4.7.3 Private Sector Credit Facilities to Private Sector Deposits

This ratio fell noticeably in the first quarter of 2007 to reach 35.6% as opposed to 37.2% in the last quarter of 2006. Banks operational in the Palestinian territory are expanding their liquidity position and this is reducing their tendency to provide credit facilities to the private sector.

4.7.4 Credit Facilities to Clients' Deposits

This ratio declined in this quarter to 43.5% from 45.3% in fourth quarter of 2006. This ratio still exceeds the minimum set by the PMA at 40%.

4.7.5 Foreign Investment to Total Deposits

Building the PMA's efforts to encourage banks to invest the largest part of their funds within the borders of the Palestinian territory and to reduce the ratio of foreign investment, the PMA's regulations require that foreign investment of operating banks should not exceed 65% of total deposits. The data indicate a slight fall in this ratio to 52% during the first quarter of 2007 from 52.1% in the previous quarter, despite the fact that the volume of foreign investment had increased.

Table 24: Bank Performance Indicators by Quarter for 2006 and 2007 (%)

Indicator	2006				2007
	Q1	Q2	Q3	Q4	Q1
Capital adequacy *	18.9	21.4	22.14	23.2	21.7
Bad debt provisions to total credit facilities	7.6	6.8	7.2	7.5	8.5
Total private Sector credit to Private sector deposits	33.6	37.2	37.5	37.2	35.6
Credit Facilities to Client deposits	44.91	47.2	45.4	45.3	43.5
Foreign investment to total deposits	50.0	49.5	51.5	52.1	52

Source: PMA, unpublished data.
* Local banks only.

3 Provisions are set by banks to meet expected and unexpected risks on credit and are usually 1.25%-1.5% of total profits.

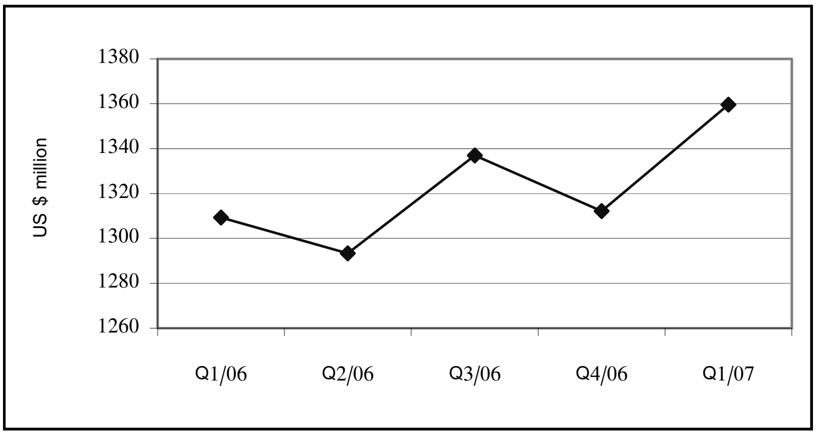
4.8 Clearing House Activities

There was a noticeable decline in activity in the PMA's clearing house at the end of the first quarter of 2007 from the previous quarter. The decline was in the number of checks presented for clearance although their value increased. Meanwhile there was an increase in both the number and value of bounced checks.

4.8.1 Checks Presented for Clearing

The number of checks presented for clearing declined in Ramallah, Nablus and Gaza in all currencies (USD, JD, NIS, and Euro) in the first quarter of 2007 to reach 547,498 checks (a 4.3% decline) as compared to 571,844 in the previous quarter. Dollar-denominated checks presented for clearing declined from US $1312.1 million in the fourth quarter of 2006 to US $1,359.6 million in the first quarter of 2007 (see Figure 5).

Figure 5: Trends in Checks Presented for Clearance by Quarter: 2006 and 2007



Source: PMA, Monthly Statistical Bulletin, various issues.

4.8.2 Bounced Checks

The number of bounced checks across all currencies dropped by 10.7% in the first quarter of 2007 to 87,026 checks, compared to 97,415 in fourth quarter of 2006. Meanwhile, the value of these checks decreased by 10.4% to US $125.3 million from US $139.8 million in the last quarter of 2006 (see Table 25).

Table 25: The Number and Value of Checks Presented for Clearing and the Percentage of Bounced Checks by Quarter: 2006 and 2007

Period	Checks Presented for Clearing		Bounced Checks		Percent Bounced	
	Number of checks	Value of checks (million $)	Number of checks	Value of checks (million $)	Number %	Value %
Q1, '06	592,359	1,309.3	97,066	117.5	16	8.9
Q2, '06	583,983	1,293.4	109,581	104.6	19	8.1
Q3, '06	583,073	1,337.0	99,987	115.5	17	8.6
Q4, '06	571,844	1,312.1	97415	139.8	17	10.7
Q1, '07	547,498	1,359.6	87,026	125.3	15.8	9.2

Source: PMA, Monthly Statistical Bulletin, various issues.

4.9 Interest Rate Margin

It is possible to say that the banking sector is taking positive steps on the road to undertaking fully its responsibility as a financial intermediary between savers and investors if we look at the gap between the interest rates on loans and deposits. This is considered an indicator of financial development because it is an indicator of the cost of intermediation between savers and investors, as well as an indicator of the degree of competition in the banking sector, and it can be seen that the gap has narrowed for all currencies.

Table 26: Interest Rate Margin*

Year	NIS	JOD	USD
2001	13.59	6.20	6.88
2002	9.92	6.27	7.08
2003	9.41	6.21	6.78
2004	10.87	6.75	5.80
2005	10.62	7.10	5.10
2006	10.57	6.42	4.58
2007**	10.29	5.63	4.52

* The margin is expressed as the gap between interest rates on loans and deposits.
** The margin is for the first quarter of 2007 only.

In previous years as indicated in Table 26, the margin is smallest for the US Dollar (USD) since 2004, while prior to that it was smallest for Jordanian Dinar (JOD). This is evidence of the increase in the use of the USD in saving and investment transactions. In the first quarter of 2007 the USD had the highest share of both deposits (54%) and credit facilities (70%).

4.10 Exchange Rate Spread

Generally, the exchange rate of various currencies declined against the New Israeli Shekel (NIS). One contributing factor to this increase in the strength of the NIS versus other currencies is the decision to use it in all internal and external commercial transactions of Israel. Table 27 illustrates the exchange rate for the USD and the NIS in banks operating in the Palestinian territory, Israeli banks, money exchangers and street money exchangers. Upon comparison, data indicates that the USD exchange rate against the NIS declined in the Palestinian territory and in Israel; the exchange rate for the USD against the NIS was quoted at NIS 4.06 and NIS 3.97 in both the Palestinian territory and Israel, respectively, on June 6, 2007, while it was quoted at NIS 4.2 and NIS 4.15 in both of them on March 5, 2007.

Table 27: Dollar Exchange Rate against the NIS on June 6, 2007

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	4.07	4.08	0.01	0.25
Street Money Changer 2	4.06	4.08	0.02	0.49
Street Money Changer 3	4.06	4.08	0.02	0.49
Average	**4.06**	**4.08**	**0.02**	**0.41**
Exchange Bureaus				
Ramallah	4.06	4.08	0.02	0.49
Nablus	4.07	4.09	0.02	0.49
Bethlehem	4.06	4.08	0.02	0.49
Average	**4.06**	**4.08**	**0.02**	**0.49**

Facility	Buying Price	Selling price	Spread	Difference (%)
Palestinian Banks				
Ramallah	4.07	4.09	0.02	0.49
Nablus	4.03	4.13	0.1	2.48
Bethlehem	4.03	4.13	0.1	2.48
Average	**4.04**	**4.12**	**0.07**	**1.82**
Average in the OPT	**4.06**	**4.09**	**0.04**	**0.91**
Israeli Banks				
Bank Leumi leisrael	3.96	4.16	0.2	5.05
First International Bank of Israel	3.97	4.15	0.18	4.53
Union Bank of Israel	3.97	4.14	0.17	4.28
Average in Israel	**3.97**	**4.15**	**0.18**	**4.62**

Source: Data were collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

On the other hand, it is noticeable that the average spread between selling and buying quotations of different currencies in the occupied Palestinian territory (OPT) was 0.91% as compared to March 5, 2007, while it increased in Israel to 4.62% from 3.8% in the same period.

Table 28: Exchange Rate of the JOD against the NIS on June 5, 2007

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	5.73	5.78	0.05	0.87
Street Money Changer 2	5.73	5.8	0.07	1.22
Street Money Changer 3	5.57	5.58	0.01	0.18
Average	**5.68**	**5.72**	**0.04**	**0.76**
Exchange Bureaus				
Ramallah	5.73	5.76	0.03	0.52
Nablus	5.73	5.77	0.04	0.70
Bethlehem	5.72	5.75	0.03	0.52
Average	**5.73**	**5.76**	**0.03**	0.58
Palestinian Banks				
Ramallah	5.73	5.77	0.04	0.70
Nablus	5.71	5.81	0.1	1.75
Bethlehem	5.7	5.8	0.1	1.75
Average	**5.71**	**5.79**	**0.08**	**1.40**
Average in the OPT	**5.71**	**5.76**	**0.05**	**0.91**
Israeli Banks				
Bank Leumi leisrael	5.51	5.95	0.44	7.99
First International Bank of Israel	5.39	6.19	0.8	14.84
Union Bank of Israel	5.52	5.93	0.41	7.43
Average in Israel	**5.47**	**6.02**	**0.55**	**10.09**

Source: Data were collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

The JOD exchange rate against the NIS declined in the OPT (see Table 28), as well as in Israel. In the OPT, the JOD exchange rate was quoted at NIS 5.71 on June 6, 2007, while it was NIS 5.93 on March 5, 2007; in Israel the JOD/NIS exchange rate declined from NIS 5.81 to NIS 5.47 during the same period.

The percentage of the spread between selling and buying exchange rates declined in the OPT and increased in Israel since it was 0.91% on June 6, 2007 as compared to 1.06% on March 5, 2007 in the former, while it increased from 6.1% to 10.09% in the latter during the same period.

Table 29: Euro Exchange Rate against the NIS On June 6, 2007

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	5.37	5.42	0.05	0.93
Street Money Changer 2	5.37	5.42	0.05	0.93
Street Money Changer 3	5.53	5.55	0.02	0.36
Average	**5.42**	**5.46**	**0.04**	**0.74**
Exchange Bureaus				
Ramallah	5.45	5.48	0.03	0.55
Nablus	5.45	5.55	0.1	1.83
Bethlehem	5.45	5.48	0.03	0.55
Average	**5.45**	**5.50**	**0.05**	**0.98**
Palestinian Banks				
Ramallah	5.47	5.53	0.06	1.10
Nablus	5.43	5.61	0.18	3.31
Bethlehem	5.45	5.57	0.12	2.20
Average	**5.45**	**5.57**	**0.12**	**2.20**
Average in the OPT	**5.44**	**5.51**	**0.07**	**1.13**
Israeli Banks				
Bank Leumi leisrael	5.34	5.62	0.28	5.24
First International Bank of Israel	5.37	5.61	0.24	4.47
Union Bank of Israel	5.37	5.59	0.22	4.10
Average in Israel	**5.36**	**5.61**	**0.25**	**4.66**

Source: Data were collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

From March 5 to June 6, 2007, the Euro exchange rate against the NIS declined in both the OPT and Israel as it declined from NIS 5.55 to NIS 5.44 in the former, and from NIS 5.44 to NIS 5.36 in the latter.

Regarding the exchange rate spread between selling and buying rates on the Euro against the NIS, it is noticeable that it slightly declined in the OPT when it reached 1.31% on June 6,2007 while it was 1.35% on March 5, 2007. In Israel, the spread increased to 4.60% on June 6, 2007 as opposed to 3.84% on March 5, 2006.

5. Stock Market

The second quarter of 2007 witnessed a noticeable improvement in the performance of the Palestine Stock Exchange (PSE) after the formation of the national unity government was made public at the beginning of the year. However, the taking over the Gaza Strip by Hamas movement at the end of the second quarter of 2007 led to a contraction in the indicators of the PSE.

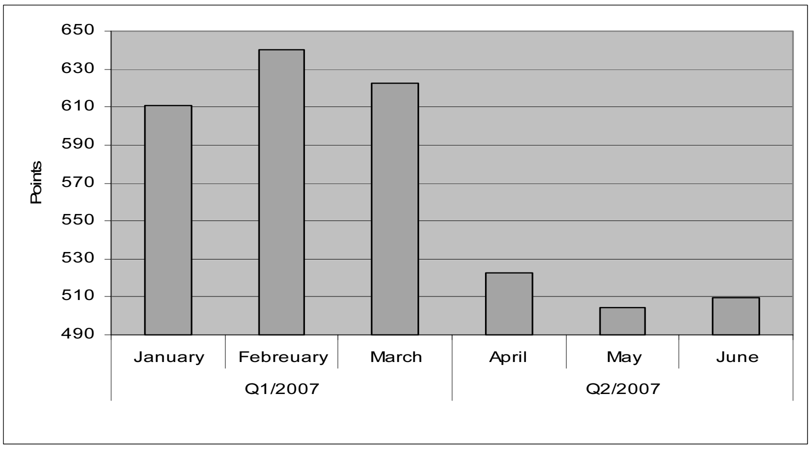
Table 30: Main Indicators of the PSE, 2007

Period	Market Value (billion USD)	Number of Trading Sessions	Al-Quds Index (points)	Trading Volumes (stocks' value) (million USD)	Number of Traded Stocks (million)
January	2.8	19	610.58	76.6	24.2
February	2.9	20	640.07	99.8	36.7
March	2.9	21	622.87	79.8	30.8
April	2.5	21	522.9	55.2	23
May	2.4	22	504.08	61.5	25.4
June	2.4	20	509.69	81.3	36.8
Total for Q2	-	63	-	198	85.2

Source: PSE, www.p-s-e.com

Data indicate that trading volumes decreased by 22.7% during the second quarter of 2007 to reach US $198 million. The number of traded stocks decreased by 7.1% during the same period reaching 85.2 million shares, and market capitalization reached US $2.4 billion at the end of the second quarter 2007, a decline of 17.2% from its value at the end of the first quarter. The number of trading sessions increased to 63 sessions for the second quarter from 61 in the first. Finally, the Al-Quds index registered 509.69 points at the end of June 2007, a decrease of 18.2% from 622.87 points at the end of March 2007 (see Figure 6).

Figure 6: Al-Quds Index during the 1st and 2nd Quarters of 2007



Source: PSE, www.p-s-e.com

6. Prices and Purchasing Power

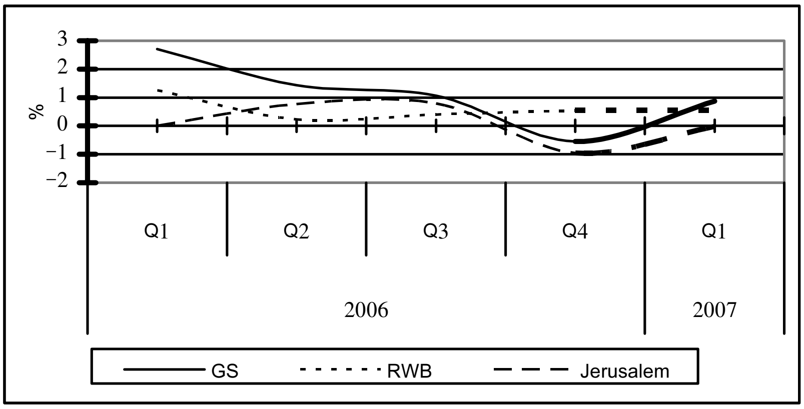
It was expected that the general price level would remain given the current economic conditions, which are characterized by low aggregate demand. Contrary to this expectation, there was an increase in the general price level (inflation) of 0.36% due to an increase in international prices which led to an increase both in the prices of some imported goods and some locally produced products. It is noticeable that the price increases mostly affected essential items, while the prices of some luxury goods declined. The increase in the prices of locally produced products was higher than the increase in the prices of imported goods. The rate of increase was higher in the Gaza Strip than in the West Bank, while prices generally declined in Jerusalem. In the following sub-sections we will review the movement of prices in the first quarter of 2007 according to the classification of different commodities and by geographical location.

6.1 Prices

Price data for the first quarter of 2007 indicate a rise of 0.36% in the Shekel-based CPI in the Palestinian territory, compared to a decline of 0.13% in the previous quarter, indicating a rise in the rate of inflation in the OPT between the two quarters. Inflation rates increased in the Gaza Strip and the remaining West Bank when the former registered an increase by 0.87% compared to a decline of 0.95% in the previous quarter, while the latter registered an increase of 0.54% compared to a decline of 0.55% in the previous quarter. Prices in Jerusalem registered a slight decline of 0.02% compared to an increase of 0.55% in the previous quarter (see Figure 7).

The food category is the main reason behind the increase in the CPI due to the price increase of basic food commodities – the highest increase in comparison with other commodity categories in the consumer basket. Furniture and household appliances contributed almost 5% of the CPI increase. On the other hand, the prices in the categories of transportation and communication, house services, textiles and apparel and footwear, education services and recreational services declined at various rates.

Figure 7: Shekel-based Inflation Rate in Jerusalem, the Remaining West Bank and the Gaza Strip in 2006 and the 1st Quarter of 2007



Source: Calculated by MAS from PCBS data on the Consumer Price Index, various issues.

It is noticeable that the food category contributed 98% of the rise in the CPI in the Gaza Strip due to the rise in the level of the prices of basic commodities resulting from the Israeli siege imposed on the area. In the remaining West Bank, the food category prices increased by 1.53% (see Table 31).

Durable goods (like house appliances and recreational goods) registered an increase of 0.33% during the first quarter of 2007 as compared to the previous quarter; non durable goods (like food, cigarettes and other consumption goods) registered also an increase of 0.52% during the same period; and semi-durable goods like textiles, apparels, and footwear) registered a light increase of 0.02% as compared to the previous quarter.

With regards to the origin of goods, locally-manufactured goods registered an increase of 0.42% during the first quarter of 2007 while the prices of imported goods registered a lower increase of 0.08% by during the same period.

Table 31: Changes in CPI in the Palestinian Territory by Region and Group in 1st Quarter of 2007 as compared to the 4th Quarter of 2006 (%)*

Category	Palestinian territory (%)	RWB (%)	GS (%)	Jerusalem (%)
Food	0.93	1.53	2.00	0.05
Beverages and tobacco	0.21	0.55	0.02	0.06
Textiles, clothing and Footwear	(0.02)	(0.10)	(0.02)	0.03
Housing	(0.11)	(0.12)	(0.20)	(0.01)
Furniture	0.23	0.37	0.65	0.05
Transportation & Telecom	(0.05)	0.00	0.07	(0.27)
Education services	(0.16)	(1.05)	(0.11)	0.50
Healthcare	(0.08)	(0.68)	0.37	(0.76)
Recreational goods and services	(0.45)	(0.54)	(0.25)	(0.47)
Other	0.11	0.05	(0.86)	0.29
General Price Index	0.36	0.54	0.87	(0.02)

Source: PCBS, 2007.
* Figures in brackets indicate a negative value.

6.2 Average Prices of Selected Essential Commodities

Data in Table 32 below reveal that the prices of essential commodities have witnessed a noticeable increase during the past period. This could be attributed to the international rise in the prices of imported commodities, including sugar, and the rise in the locally-produced goods such as olive oil. The following sub-sections summarize price movements of these commodities at the end of the first quarter of 2007 as compared to the previous quarters:

- ***Sugar, Flour and Rice***
  Prices of sugar, flour and rice stabilized in the Gaza Strip in the first quarter of 2007 after increasing in the earlier quarters. Sugar, rice and flour prices increased in the West Bank by 1.84%, 0.81%, and 0.11%, respectively during the same period.

- ***Fuel***
  Gasoline prices in the Palestinian territory declined in the first quarter of 2007 resulting from the general decline in world petroleum prices. In fact, the price of one liter of gasoline in the remaining West Bank and Gaza Strip declined by 0.31% compared with the previous quarter, and increased by 1.94% in comparison to the first quarter of 2006. Gas (used as a fuel for house purposes) prices were stable during the same period, with the price of a cylinder of gas at NIS 36 during the first quarter of 2007 with no change from the previous quarter.

- ***Baby Milk and Olive Oil***
  Data show that the prices of powdered baby milk and olive oil increased in the Palestinian territory. In the West Bank, baby milk prices increased by 0.42%, while the price was unchanged in the Gaza Strip. Olive oil prices increased in the Gaza Strip by 3.69% but decreased in the West Bank by 6.31%. Data show that compared to the prices of olive oil in the first quarter of 2006, a noticeable decrease occurred with the price of one kilogram of olive oil, which fell from NIS 24.10 to NIS 19.15. On the other hand, in the Gaza Strip, the price of one kilogram increased from NIS 21.17 in the first quarter of 2006 to NIS 23.39 in the first quarter of 2007.

✧ ***Tomatoes and Potatoes***

During the first quarter of 2007, tomato prices registered an increase of 27.96% and 13.59% in the Gaza Strip and the West Bank, respectively, while potato prices decreased in the Gaza Strip and the West Bank by 43.22% and 17.98%, respectively, as compared to the first quarter of 2006.

Table 32: Average Prices for Selected Consumer Prices of Essential Commodities by Quarter for 2006 and 2007 (NIS)

Item	Unit	WB			GS		
		Q1 2007	Q4 2006	Q1 2006	Q1 2007	Q4 2006	Q1 2006
Sugar-crystal-UK	50 kg	150.00	149.84	136.57	180.00	180.00	156.67
White Flour-zero-Haifa	60 kg	110.89	110.00	109.13	110.00	110.00	105.00
Rice (short seed)-Sunwhite-Australia	25 kg	86.64	85.08	85.42	85.00	85.00	86.00
Tomatoes	1 kg	3.18	3.68	2.32	1.62	2.25	1.29
Potatoes	1 kg	2.60	3.17	2.63	1.49	2.63	1.18
Gasoline 96 Octane	1 liter	5.42	5.43	5.31	5.42	5.43	5.31
Gas Cylinder	12 kg	36.00	36.00	44.67	36.00	36.00	44.67
Powdered Milk (France)	2.5 kg	85.22	84.86	83.57	80.00	80.00	80.00
Olive Oil	1 kg	19.15	20.44	24.10	23.39	22.55	21.17

Source: PCBS, 2007.

6.3 Purchasing Power

This section is concerned with the purchasing power of the currencies held by the average consumer, and since the OPT uses many currencies (NIS, USD, and JOD), it is therefore normal to depend on the exchange of the USD and the JOD for the NIS. Therefore, the purchasing power depends on two factors: the first is the foreign exchange rate which affects the purchasing power positively; and the other is the Shekel-based CPI which affects the purchasing power negatively.

To calculate the purchasing power we subtract the average percentage change of the CPI from average percentage change of the foreign exchange rate. Accordingly, it becomes clear that the purchasing power is declining for both the USD and JOD during the first quarter of 2007, as the exchange rate of the USD against the NIS declined by 1.03% in the first quarter of 2007 as compared to the first quarter of 2006, while the exchange rate of JOD against the NIS declined by 0.92% during the same period. In the meantime, the general price level in the OPT increased by 0.36% causing a decline in the purchasing power of the USD and JOD by 1.39% and 1.28%, respectively (see Table 33)

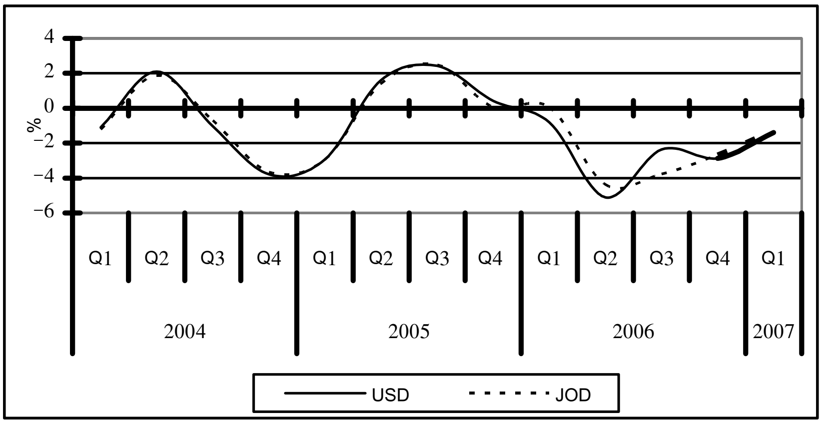
Table 33: Exchange Rates for the USD and the JOD against the NIS up to the 1st Quarter of 2007*

Region	Currency	2004	2005	Q1 2006	Q4 2006	2006	Q1 2007
OPT	USD	(4.57)	(3.31)	(0.8)	(2.87)	(4.74)	(1.39)
	JOD	(4.61)	(3.33)	0.07	(2.69)	(4.26)	(1.28)
RWB	USD	(4.46)	(2.73)	(1.10)	(3.56)	(4.98)	(1.56)
	JOD	(4.50)	(2.75)	(0.24)	(3.37)	(4.50)	(1.45)
Jerusalem	USD	(12.03)	(5.18)	0.16	(2.05)	(4.02)	(1.01)
	JOD	(12.07)	(5.20)	1.02	(1.87)	(3.54)	(0.9)
GS	USD	(4.75)	(1.01)	(2.56)	(2.45)	(6.07)	(1.9)
	JOD	(4.79)	(1.03)	(1.70)	(2.27)	(5.59)	(1.79)

Source: Calculated by MAS from Consumer Price Index released by PCBS, various issues.
* Figures in brackets indicate a negative value.

By comparing the decline of the purchasing power during the first quarter of 2007 with the decline that took place in the fourth quarter of 2006, we find that the declined had diminished. This is due to the decline of the exchange rate of both the USD and JOD against the NIS between the two quarters as the exchange of the USD and JOD declined by 3.01% and 2.83%, respectively in the fourth quarter of 2006 and, thus, the decline in the purchasing power in the first quarter of 2007 diminished (see Figure 8).

Figure 8: Developments in the Purchasing Power of the JOD and USD in the Palestinian territory by Quarter for 2004-2006, and the 1st Quarter of 2007



Source: Calculated by MAS from PCBS data, Consumer Price Index and exchange rates, different issues.

By comparing the regions of the OPT, we find that the decline in the purchasing power for both the USD and the JOD was the highest in the Gaza Strip where it reached 1.9% for the USD and 1.79% for the JOD, This is due to the fact that the rise in the general price level in the Gaza Strip (0.87%) was higher than that of Jerusalem (-0.02%) and the remaining West Bank (0.53%).

7. Tourism

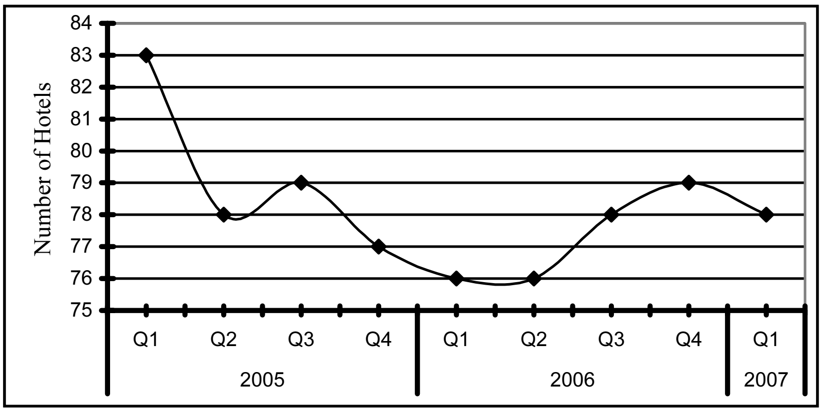
It is unsurprising that the depression in the tourism sector continues with the continuation of Israel's oppressive measures on one hand, and the political divide and the security chaos on the other hand. It is well known that religious tourism plays an important role in the Palestinian tourism. Christmas (both Eastern and Western) and the New Year witness a noticeable increase in tourism activity, which means a particular increase of activity during in the first and fourth quarters of every year compared to the second and third quarters. Below we present some details about the tourism activity during the first quarter of 2007.

7.1 Hotel Activity

The total number of hotels in the OPT amounted to 116 hotels, including operating and temporarily closed ones. The number of operating hotels differs on monthly basis. Thus there were 78 operating hotels in March 2007 with 4,111 rooms and 8,820 beds. These hotels are distributed as follows: 46 in the West Bank, 20 in Jerusalem, and 12 in Gaza Strip (see Figure 9).

The number of hotel workers was 1,261 in the first quarter of 2007, a drop of 3% compared to the fourth quarter of 2006. The workers are distributed by type of work and gender as follows: 263 in management, of which 217 are males and 46 are females; and 998 in non-management roles, of which 869 are males and 129 are females. These workers were distributed according to region as follows: 667 in the hotels of the West Bank, 384 are in the hotels of Jerusalem, and 210 are in the hotels of the Gaza Strip.

Figure 9: Number of Operating Hotels in the Palestinian Territory by Quarter of 2005, 2006 and 2007

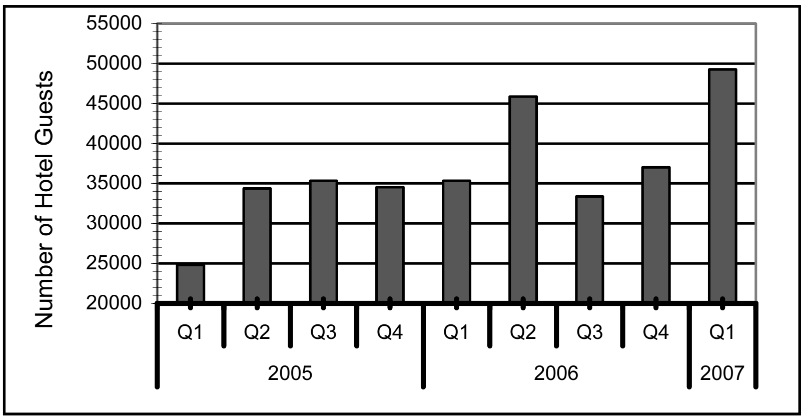


Source: PCBS, Hotel Activities in the Palestinian Territory.

The number of hotel guests in the OPT was 49,289 in the first quarter of 2007, an increase of 33.2% over the fourth quarter of 2006. The majority of hotel guests were accommodated in the hotels of Jerusalem (49.4%), 27.9% in the center of the West Bank, southern West Bank hotels accommodated 19.6%, hotels in the northern West Bank accommodated 2.1%, and Gaza Strip hotels accommodated 1.0%.

The number of hotel nights was 106,111 during the first quarter of 2007, of which 11.4% are accounted for by Palestinian guests, 38.1% by guests from EU countries, 12.0% by guests from the US and Canada. Regional distribution of these hotel nights is as follows: 60.7% are spent in Jerusalem hotels, 16.8% in the hotels of the center of the West Bank, 20.1% and 1.3% in the hotels of southern and northern West Bank respectively, and 1.1% in the hotels of Gaza Strip.

Figure 10: The Number of Hotel Guests and Room Occupancy Rates in the Palestinian Territory by Quarter, 2005, 2006 and 2007



Source: PCBS, Hotel Activities in the Palestinian Territory.

Room occupancy in the hotels of the OPT reached an average of 631.8 per day, which is 15.6% of the available rooms. Occupancy rate was the highest in the hotels of Jerusalem since it reached

29.3% during the first quarter of 2007 (March had witnessed room occupancy of 42.6%), while it reached 17.1% in the hotels of the center of the West Bank, 8.9% in the hotels of the southern West Bank, 11.5% in the hotels of the northern West Bank, and 2.9% in the hotels of the Gaza Strip.

7.2 Internal Tourism

In 2006, the number of Palestinian households (a family or a member of the family) who made internal trips reached 42.7%. This percentage differs by region since it reached 38.1% in the northern West Bank, 31.4% in the center of West Bank, 36.2% in the southern West Bank, while it was the highest in the Gaza Strip at 57.6%.

The average expenditure of a Palestinian household on each internal trip was US $27.7, while the average was US $33.6 in the West Bank, and US $19.6 in the Gaza Strip. Expenditure per trip was distributed in the following manner: US $ 9.7 on food and beverages, US $8.4 on transportation and communication, US $4.1 on shopping, US $3.0 on recreation and sport, and US $2.5 on other activities.

The families who did not make any internal trip constituted 57.3% of total households. Of these, 54.2% attributed this to the deterioration of the economic conditions, while 14% attributed their unwillingness to travel to the Israeli closures and checkpoints.

8. Infrastructure

8.1 Building Licenses

Quarterly building licenses data may be analyzed using two approaches. The first is comparing the change over successive quarters, such as the change in building licenses between the fourth quarter of 2006 and the first quarter of 2007. The second is comparing the change in the indicators between a quarter of a year with the same quarter of the previous year, such as comparing the building license of the first quarter of 2006 and 2007.

Despite the importance of the first approach in observing the resulting changes on building licenses between two successive quarters it does not take into consideration the great influence of climatic and weather conditions on main indicators in the construction sector. The observer of data on the construction sector generally and building license in particular can see the increase in construction activities during the spring and the summer (second and third quarters), while these activities decline during autumn and winter (fourth and first quarters). We decided in this quarterly volume of the Monitor to use the second method whereby we compare the quarterly data of the first quarter of 2007 with the first quarter of 2006, so that seasonal influences and weather conditions can be neutralized.

Data (see Table 34 below) indicate a decline of 17.6%, to 1,044, in the number of building licenses issued in the first quarter of 2007 from the first quarter of 2006. ‘New area’ licenses constituted more that 48.4% of all issued licenses during the first quarter of 2007 while licenses for new additions to existing building constituted about 24.4% of all licenses.

The total area of licensed buildings during the first quarter of 2007 reached almost 404.7 thousand square meters, a 48.1% decrease compared with the first quarter of 2006, and a 26.0% decline compared with the first quarter of 2005.

The area licensed for new buildings was 312.2 thousand m², and 92.6 thousand m² for existing buildings. This amounts to a decrease of 36.0% for new buildings and a decrease of 68.3% for existing buildings from the first quarter of 2006.

Of the new-built up area licenses, about 71.6% were for residential buildings and 28.4% for non-residential buildings. Residential and non-residential additions to existing buildings constituted 79.8% of new areas and 20.2% of the existing areas, respectively.

Table 34: Building Licenses and Licensed Areas Selected Indicators in the Remaining West Bank and Gaza Strip 2004, 2005, 2006, and 2007

Indicator	Licensed areas (thousand squared meters)			
	Q1/2004	Q1/2005	Q1/2006	Q1/2007
Total area of licensed building	**438.0**	**546.8**	**779.7**	**404.7**
✧ **New areas**	**386.6**	**476.3**	**487.4**	**312.2**
Residential buildings	314.0	369.0	390.3	223.4
Non-residential buildings	72.6	107.3	97.1	88.8
✧ **Existing Areas**	**51.4**	**70.5**	**292.3**	**92.6**
Residential buildings	38.1	52.9	249.5	73.9
Non-residential buildings	13.3	17.6	42.8	18.6

Source: PCBS, Statistics on building licenses, 1st quarter, 2007.

8.2 Cement Imports

Cement imports are closely related to the construction industry and are therefore dependent on similar variables to that of the number of building licenses. Therefore, we will do the same comparison of data between the first quarter for 2007 and the first quarter of past years.

We mentioned that the number and areas of the building licenses had declined in the first quarter of 2007 from the year before. These developments were reflected directly on cement imports to the OPT during the same period. Data indicate that imported cement quantities for OPT declined by 6.0% during the first quarter of 2007 as compared to the first quarter of 2006 to reach about 317.2 thousand tons. The volume of cement imports to the West Bank reached about 198.5 thousand tons, 23.2% less than the imported quantity during the same period in 2006.

The Gaza Strip accounted for 37.4% of the total cement imports to the OPT during the first quarter of 2007, equivalent to 118.7 thousand tons. This Figure is greater than the imported cement to the Gaza Strip during the first quarter of 2006 (see Table 35).

Table 35: Cement Imports into the Palestinian Territory for the 1st Quarter of 2003-2007 (thousand tons)

Period	Palestinian territory	West Bank	Gaza Strip
1st Quarter 2003	170.5	86.9	83.6
1st Quarter 2004	229.1	124.0	105.1
1st Quarter 2005	305.5	198.9	106.6
1st Quarter 2006	338.0	259.0	79.0
1st Quarter 2007	317.2	198.5	118.7

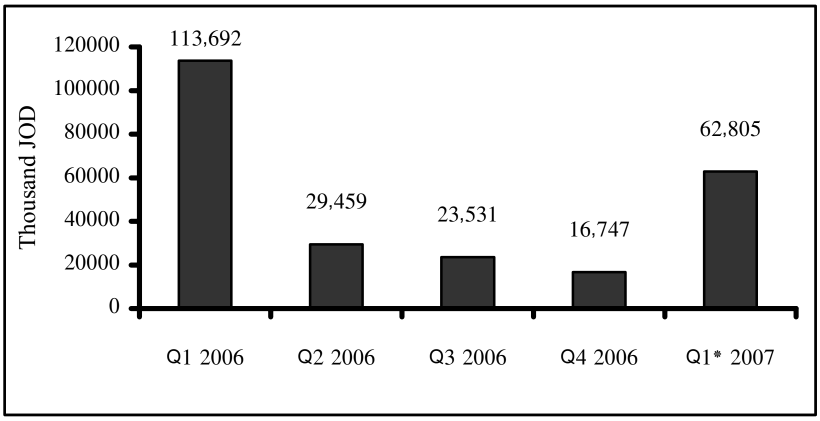
Source: PCBS, Statistics on imported cement, 2007

8.3 Company Registration

Company registration is used in many countries as an indicator of the investment climate, and it provides a useful tool to trace the direction of investment flows as an indicator of perceived risk and potential profitability rates. When the investment climate improves – because of improvements in either the political or economic environment – the demand for company registration increases, even if the company is not intended to be operational immediately.

Data on company registration indicates that the investment climate in the OPT improved in the first quarter of 2007 compared to its previous quarter. The number of new companies registered totaled 516 companies, six times the corresponding figure of the previous quarter. Similarly, the value of investment capital also increased by 275% to reach JOD 62.8 million (see Figure 11). This increase in both the number of registered companies and investment capital is attributed to the fact that companies usually register during the first quarter of the year.

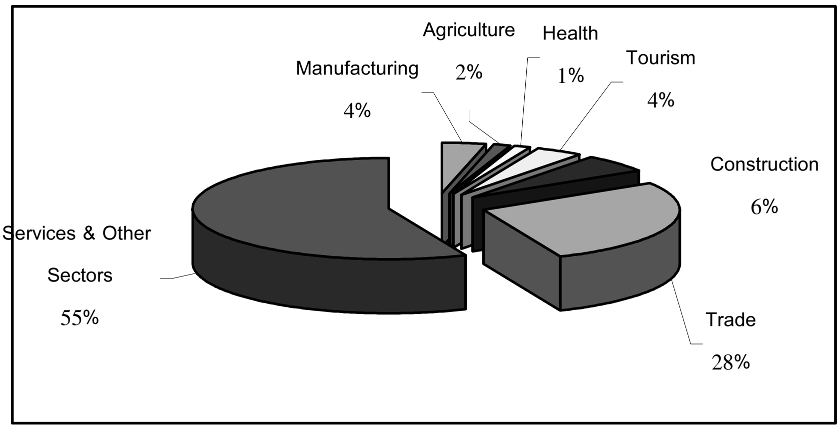
Figure 11: Total Capital for Newly Registered Companies in the Palestinian Territory in JOD by Quarter for 2006 and 2007



Source: Ministry of National Economy, Department of Company Registration.
Q1*2007 includes the first four months.

Company registrations in the West Bank increased sharply by 300% to reach 371 new companies, while the value of investment capital also increased by 525%, reaching JOD 52 million. Conversely, the Gaza Strip, and despite the increase in internal Palestinian tensions, saw an increase in the number of registered companies with 145 new companies being registered (a 169% increase over the previous quarter). The value of investment capital of newly registered companies in the Strip also rose by 27.3% reaching JOD 10.7 million.

Figure 12: Distribution of Newly Registered Companies' Capital in the Palestinian Territory, by Economic Activity for the 1st Quarter of 2007



Source: The Ministry of National Economy, Department of Company Registration, 2007

Figure 12 shows that the majority of the investment capital for newly registered companies was concentrated in the services and other sectors with 56% as compared to 66% in the first quarter of 2006, while the share of the trade sector stabilized at 27%, and the share of all other sectors increased slightly.

With regard to the legal classification of newly registered companies, data show that West Bank companies with the largest capital were private shareholding companies, comprising 63.4% of the total capital, compared with 13% in the previous quarter. The total share of capital in ordinary public companies contributed only 35.6% against 2.1% in the fourth quarter of 2006, while foreign private shareholding companies in the first quarter of 2007 was 1%, compared to 0% in the previous quarter (see Table 36).

Table 36: The Distribution of Capital for Newly Registered Companies in the West Bank by Legal Classification for the year 2006 and the 1st Quarter of 2007 (JOD)

Quarter	Legal Form							Total
	Public Ordinary	Private Shareholding	Public Shareholding	Foreign Private Shareholding	Foreign Ordinary	Foreign Public Shareholding	Ordinary Limited	
Q1/2006	6,386,000	47,394,920	14,950,691	4,000,000	0	0	0	**72,731,611**
Q2/2006	6,323,120	8,336,200	0	780,000	0	0	0	**15,439,320**
Q3/2006	3,971,400	8,859,200	0	2,900,000	0	0	150,000	**15,880,600**
Q4/2006*	180,000	1,081,600	7,080,000	0	0	0	0	**8,341,600**
Q1/2007**	18,541,000	33,039,000	0	489,600	0	0	0	**52,069,600**

Source: The Ministry of National Economy, Department of Company Registration, 2007.
* Q4/2006 quarter includes only November due to the public strike in October and December.
** Q1/2007 includes the first four months of 2007.

Legal classification for companies in the Gaza Strip is different from that in the West Bank. Companies in Gaza are categorized under three legal classifications; ordinary companies, public shareholding companies, and private shareholding companies. Table 37 illustrates that 100% of newly registered companies in the Gaza Strip were private shareholding companies, a similar situation to that in the previous three quarters.

Table 37: The Distribution of Capital for Newly Registered Companies in the Gaza Strip by Legal Classification for by Quarter for 2006 and the 1st Quarter of 2007 (JOD)

Quarter	Legal Form			Total
	Ordinary Company*	Public Shareholding	Private Shareholding	
Q1/2006	20	20,000,000	20,960,000	40,960,020
Q2/2006	37	0	14,020,000	14,020,037
Q3/2006	13	0	7,650,100	7,650,113
Q4/2006	18	0	8,405,000	8,405,018
Q1/2007	0	0	10,735,000	10,735,000

Source: The Ministry of National Economy, Department of Company Registration, 2007.
* According to Egyptian law, companies are allowed to register with zero capital, explaining the low JOD in Ordinary Companies

9. Expectations of Owners and Managers of Industrial Establishments[4]

A survey about the expectations of owners and managers of industrial establishments reveals a consensus among them on two issues: first, less than half believe that general conditions have deteriorated in comparison with the previous month, and second, that they are optimistic that the situation will not worsen in the future and that there is an opportunity for improvement during the coming months. Generally speaking, there is optimism regarding the whole picture. The following section summarizes the surveys' principle findings[5].

9.1 Industrial Establishments' General Performance

Results of the survey indicate that 18.6% of owners and managers of industrial establishments found the general performance of their establishments had deteriorated during March as compared to February 2007, while 51.5% of those surveyed felt the same way. 44.6% of owners and managers expected the general performance of their establishments to improve during April 2007. Furthermore, 57.1% believed that the general performance of their establishments would improve over the next 6 months.

9.2 Production

23.7% of owners and managers of industrial establishments indicated that production had deteriorated in comparison with the previous month of February 2007. Moreover, 10.5% indicated that industrial establishments now faced more difficulties in obtaining raw materials and inputs for production. About 50.3% of respondents believed that levels of production at their establishments would improve in April 2007 in comparison to their levels in March 2007. The majority, 67%, believed that production would improve over the next six months of 2007.

9.3 Employment

According to 8.7% of respondents, employment levels had decreased; 10.3% fired workers in March 2007, and just 9.4% hired new employees, therefore, employment level did not change at 80.8% of establishments. The data also show that only 20.1% of owners and managers were optimistic that employment levels would increase in April 2007, and 30.1% also expected employment levels to improve within the next 6 months of the same year.

As for productivity, 23.7% of owners and managers of industrial establishments said that workers' productivity had declined in their establishments, while 3.3% only of them indicated that the capability of their workers to arrive to the working place had deteriorated, and 5.7% indicated that discipline in work is worsening.

9.4 Financial Position and Credit Financing

18.3% of establishment owners and mangers stated that the financial standing of their establishments had deteriorated in March 2007. Nearly 10.8% indicated that borrowing from banks for financing purposes (i.e. credit facilities) had become more difficult. About 38.6% of

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4 This section of the Monitor depends on the "Survey of Perceptions of Owners (Managers) of Industrial Establishments of Economic Conditions" which was conducted during 2-23/4/2007 including March 2007 as compared to February 2006.

5 The Industrial survey of 2004 was adopted as a framework for preliminary sampling. Moreover the survey was limited to establishments that contribute to 70% of the total industrial output, excluding establishments that employ fewer than 20 workers.

respondents expected their financial positions to improve within the next month, and 49.4% expected their financial standing to improve within the next six months.

9.5 Sales and Competition

According to 26.1% of owners and managers of industrial establishments in the OPT there had been a decline in sales. In the opinion of 49.6% of all respondents, this decline is mainly attributed to a decline in the purchasing power of the consumers in the OPT, as 46.1% of the West Bank and a higher percentage of 59.2% of the Gaza Strip respondents pointed to this reason, while 8.0% of these establishments' owners or managers attributed the decline to seasonal reasons, with 19.9% of owners and managers indicating this as a reason for the decline in sales. Another 6.9% blamed Israeli roadblocks, checkpoints and closures for the decline in sales. An increase in sales volume in the next month of 2007 was expected by 48.5% of respondents, while 67% of them expected higher sales in the next six months of 2007.

With regard to competition, 94.3% of respondents in the West Bank and 95.7% of respondents in the Gaza Strip indicated that their main product faced competition in the market. As for the source of competition, 76.8% indicated that their main competitor was local and not foreign.

10. Demographic Situation

According to PCBS, the projection for the Palestinian population in the OPT reached 4.01 million by mid 2007. This projection is dependent on an estimation of natural growth rate at 3.3% from the population of mid 2006. The population is distributed with 63% in the West Bank and 37% in the Gaza Strip[6]. The Palestinian population of the West Bank and Gaza Strip aged less than 15 years amounted to 45.4%, while those aged 65 year and over amounted to only 3%. Table 38 reveals that the Gaza Strip has a younger population than the West Bank.

Table 38: The Relative Distribution of the Population in the Palestinian Territory by Region and Age Cohort (%)

Age Cohort	WB	GS	OPT
0-14	43.5	48.5	45.4
15-64	53.3	49.0	51.6
65+	3.2	2.5	3.0

Source: PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

The data show a decline in fertility rates in the OPT during 1997-2006, down to 4.6 children per child-bearing woman, compared with 6 in the year 1997. However, fertility rates in the Gaza Strip are higher than the West Bank: 5.4 children per child bearing woman in the Gaza Strip and 4.2 in the West Bank. Compared with the neighboring Arab countries, fertility rates are higher in the OPT. Total fertility rate for 2006 was 3.7 in Jordan, 3.1 in Egypt, 2.0 in Tunisia. Therefore, despite the decline the OPT is considered a country with high fertility rates[7].

For crude birth rates, the projections indicate that the average crude birth rate in the OPT declined from 42.7 births per 1000 population in 1997 to 36 births per 1000 of population in 2007. Crude birth rates are higher in the Gaza Strip (41.3) than in the West Bank (32.8). Within the same timeframe, the crude mortality rates in the OPT declined from 4.9 deaths per 1000 population to

[6] http://www.pcbs.gov.ps, accessed on September 2, 2007.
[7] PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

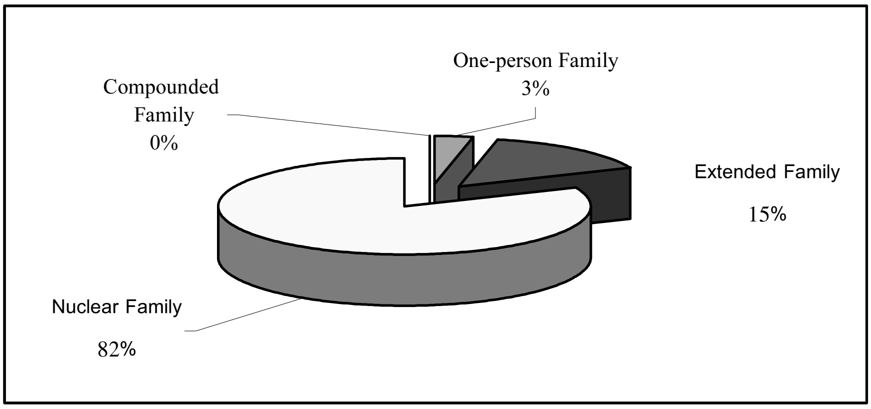
3.9 deaths per 1000 population. This rate declined in the West Bank during the same period from 5.1 to 4, and in the Gaza Strip from 4.7 to 3.7[8].

10.1 The Palestinian Family

PCBS data indicate that the average family size is 6.3 in the OPT, with an average of 5.9 in the West Bank, and 6.9 in the Gaza Strip. These data indicate an increase in the average Palestinian family size as it reached 6.1 in 2000, from 5.7 to 5.9 in the West Bank, while the Gaza Strip remained stable at 6.9[9]. It is likely that the unstable political and economic conditions during the last seven years contributed to the increase in the average family size in the OPT in spite of the continuation of family planning programs, as there is a trend to gather the family members together as a mechanism to overcome the harsh conditions, rather than encouraging the younger members to live separately from the parents' family.

The most commonly-found family structure in the OPT is the nuclear family, reaching 81.2% in the families in 2006 (see Figure 13 below), up from 73.3% in 1997. The percentage of nuclear families in the West Bank (82.9%) is higher than its corresponding percentage in the Gaza Strip (77.8%).

Figure 13: Family Type in the Palestinian Territory for 2006



Source: PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

Female-headed families represent 8.3% of total families in the OPT in 2006. The Figures for the West Bank and Gaza Strip are 8.9% and 7%, respectively. Usually such families are of small size – their average size reached 3.3 in 2006.

Regarding marriage in the OPT, the data indicate that the crude marriage rate declined from 7.7 marriages per 1000 population in 2005 to 7.3 marriages per 1000 population in 2006. This decline was observed in both the West Bank and the Gaza Strip (see Table 39 below). Within the same context, the average age at first marriage rises in the OPT for both genders, to 24.7 years for males, and 19.5 years for females in 2006, from 24.2 years for males and 19 years for females in 2001[10].

Table 39 also indicates a slight decline in the crude divorce rate in the OPT and in both the West Bank and Gaza Strip. It is also noticeable that crude marriage and divorce rates are higher in the Gaza Strip than in the West Bank.

8 *Ibid.*, p. 31.
9 *Ibid.*, p. 37.
10 Ibid., page 39.

Table 39: Average Crude Marriage and Divorce Rates in the Palestinian Territory by Region and Year (per thousand population)

Average / Year	WB	GS	OPT
Crude Marriage Rate			
2006	6.7	8.2	7.3
2005	7.0	8.8	7.7
Crude Divorce Rate			
2006	0.9	1.1	1.0
2005	1.0	1.3	1.1

Source: PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

Generally speaking, demographic family data indicate an important differential between both the West Bank and the Gaza Strip, as the former conforms more closely to international norms with respect to these indicators than does the latter.

11. Education and Culture

11.1 Educational Characteristics of the Population

In the OPT, there were about 138 thousand illiterates in 2006 according to the UNESCO definition (i.e. those who cannot read or write a simple statement about their lives), and these represent 6.5% of the total population aged 15 years and above (2.9% among males, and 10.2% among females). That is, the illiteracy rate among females is more than three times the corresponding Figure among the males. Illiteracy concentrates among the old in both genders, and the gender gap in this area among the old is pronounced while there less difference according to gender among the youth. Illiteracy rates for both genders witnessed a serious decline during recent years as it the illiteracy rate was 15.7% in 1995. The illiterates are distributed geographically as follows: 92 thousand illiterates in the West Bank (6.7% of the population) and 46 thousand illiterates in the Gaza Strip (6.3% 0f the population) in 2006[11].

Regarding the educational situation of the Palestinians, Table 40 shows that educational characteristics in the Gaza Strip are better than those in the West Bank, and this is attributed to better provision of educational opportunities in the Gaza Strip than in the West bank since 1948. A gender gap exists in education among males and females (see Table 41), but this gap is decreasing due to the higher demand for education among the youth of both genders.

Table 40: Relative Distribution of Palestinian Population 15 Years and above in the Palestinian Territory by Level of Education and Region for 2006 (%)

Level of Schooling	WB	GS	OPT
Less than secondary	70.0	61.7	67.2
Secondary	17.5	25.2	20.2
More than secondary	12.5	13.1	12.6
Total	100	100	1000

Source: PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

[11] PCBS, 2007, press release in the occasion of the International Day of Combating Illiteracy on September 8, 2007.

Table 41: Relative Distribution of Palestinian Population 15 Years and above in the Palestinian Territory by Level of Education and Gender for 2006 (%)

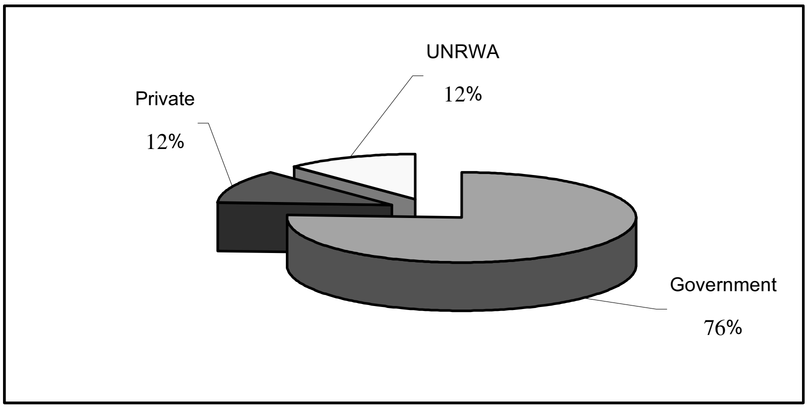
Level of Schooling	Males	Females	OPT
Less than secondary	65.3	68.9	67.2
Secondary	20.0	20.4	20.2
More than secondary	14.7	10.7	12.6
Total	100	100	1000

Source: PCBS, 2007. Conditions of the Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

11.2 General Education

The number of schools in the OPT was 2,337 in the academic year 2006/2007, of which 75% are in the West Bank and 25% in the Gaza Strip. By supervising authority, these schools are distributed as follows: more than three-quarters are run by the government, while the rest are divided equally between the private sector and the UNRWA (see Figure 14). Private schools are concentrated in the West Bank where 88% of these schools are located, while UNRWA schools are more concentrated in the Gaza Strip with 67% of these schools located in that region.

Figure 14: Distribution of Schools in the Palestinian Territory by Supervising Authority, 2006/2007



Source: PCBS, 2007. Conditions of Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

The number of pupils in OPT schools reached 1,085,274, of which 59.3% were in the West Bank and 40.7% were in the Gaza Strip. Gender distribution of these pupils is almost equal between males and females[12].

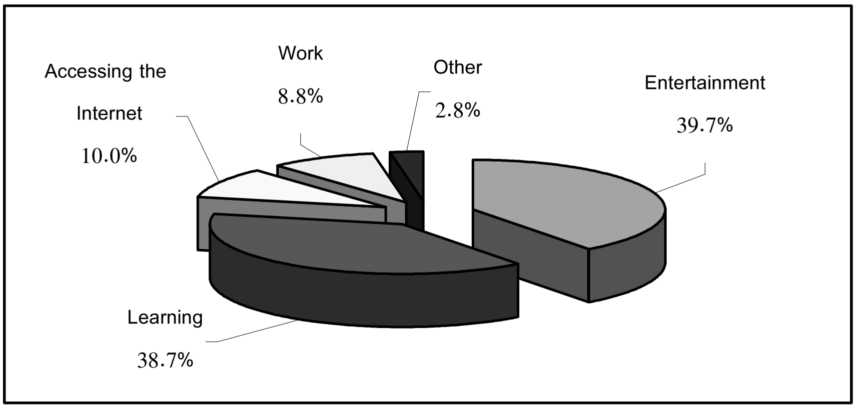
11.3 Use of Computer and Reading of Newspapers

2006 data indicate that 32.8% of Palestinian families own a personal computer (PC), with 33.9% in the West Bank and 30.8% in the Gaza Strip. The major purpose of purchasing a PC is to use it for education (according to 62.7% of families), while 37.3% indicated that they purchased the PC for other purposes such as work requirements, skills development, or to access the Internet.

With regard to usage rather than ownership, 50.9% of persons aged 10 years and above in the OPT indicated that make use of a PC (55.3% among females and 46.5% among females). Figure 15 illustrates that the major objective of those using a PC is entertainment, followed by study and learning.

[12] PCBS, 2007. Conditions of Palestinian Residents in the Palestinian territory, 2007, Ramallah, Palestine.

Figure 15: Distribution of Computer Users in the Palestinian Territory by Purpose of Use, 2006



Source: PCBS, 2007. Conditions of Palestinian Residents in the Palestinian Territory, 2007, Ramallah, Palestine.

Regarding Internet links, 15.9% of Palestinian families had an Internet connection in 2006, with 15.7% in the West Bank and 16.2% in the Gaza Strip.

Regarding reading newspapers, 9.5% of Palestinian families purchase a newspaper regularly, while 30.4% do so occasionally, and 60.1% do not get a newspaper. 10% of people read a newspaper on a daily basis, while 35.1% do so occasionally, and 54.9% do not read newspapers at all. Regarding magazines, only 3.9% of Palestinian families purchase a magazine on a regular basis, while 19.9% purchase a magazine occasionally, and 76.2% never do so. These data indicate the weakness of both newspapers and magazines as a source of information and knowledge to the Palestinian household. 32.9% of individuals aged 10 and over listen to radio on a regular basis, while 31.6% do so occasionally, and 35.5% never listen to a radio.

Regarding the participation of persons in cultural activities, it is found that 15.3% of persons aged 10 years and above attended cultural activities, while 9.5% attended sport clubs, 4.8% visited public libraries and 3.1% attended musical performances in 2006. Generally speaking, participation in different cultural activities is low and this may be attributed to the shortage in these activities, the total absence of them in some regions, and the elite-orientation of some of them.

12. Standards of Living

The stringent siege imposed since 2006 on the Palestinian National Authority (PNA) exposed the vulnerability of Palestinian society, and its inability to provide for the basic needs of its citizens. This degree of vulnerability is the long term heritage of the absence of an independent state, of the occupation weakening the public institutions, and the progressive impoverishment of much of Palestinian society. Despite the fact that no official data had been released regarding poverty in the OPT during 2007, international organizations working in the OPT suggest that poverty rates are high, especially with the addition of large numbers of public sector employees to the ranks of those unable to provide for their basic needs because of the irregularity of their salaries. For example, data from the World Food Program (WFP) indicate that the WFP and the UNRWA together provide food assistance to about 80% of the households in the Gaza Strip.

12.1 Assistance Provision to Needy Families

Programs of the Ministry of Social Affairs

The Ministry of Social Affairs (MSA) prepared an ambitious program under the title “Social Safety Program” (SSP) to target the most vulnerable of society. It was planned that the SSP would give assistance to 15% of the poor families, but due to the lack funding, the number of beneficiaries has been confined to 3000 families. It is planned that this be increased to 5000 families. Disbursement had started in the last months of 2006, with financing of US $10 million for four years from The World Bank. The services provided through the SSP are confined to providing cash assistance to the beneficiary families, and the money is transferred through accounts at local banks. The SSP has suffered from the complications resulted from the political crisis in the PNA, and the divide between two governments in the West Bank and Gaza Strip.

The traditional assistance program which the MSA is also running was planned to be gradually reduced in favor of the SSP, but with the disappointing expectations for the SSP, the MSA decided to keep the traditional program, and to merging with other programs run by the Ministry.

Data indicated that 47 thousand families in the West Bank and Gaza Strip are currently registered in the traditional program and they constitute 3.5% of the Palestinian population in the OPT. These families receive different kinds of assistance, such as cash, in kind, rehabilitation or health insurance. A family can receive one or more kinds of assistance.

Disbursement did not take place for these families for some months, and the allocated amounts of money for quite some months are not disbursed yet. Sometimes the money allocations were not paid out on time due to strikes at the post office. At the time of data collection, the last three months' allocations were not paid out yet.

Due to the political changes and the boycott of the Palestinian government, the EU started to disburse grants for the registered families in the program through the international mechanism, which is an alternative mechanism to finance essential projects in the PNA without having to pass through the system of Palestinian ministries, i.e. to bypass the direct relationship with the government. This grant was disbursed four times as follows: three times in value of NIS 1,000 per registered family, and once in value of NIS 1,500 per family. It is expected to count these grants as part of the monthly allocations for these families.

UNRWA Programs
UNRWA has two kinds of programs: The first one a regular assistance program which is titled the Special Hardship Cases (SHC). The number of beneficiaries totaled about 88 thousands persons in the Gaza Strip (i.e. 9% of refugees), and 35 thousands persons in the West Bank (i.e. 5% of refugees) by the end of 2006. It is noticeable that the number of beneficiaries declined in the West Bank and increased in the Gaza Strip in comparison with 2005 when their number totaled about 40 thousands in the West Bank and 84 thousands in the Gaza Strip. The allocated budget for the Relief and Social Services that includes the SHC amounted to US $21.5 million in 2007 while it was US $20.9 million in 2006[13].

The second kind of programs is the Emergency Assistance (EA), which is a response to the rapid deterioration of the economic conditions in the occupied OPT after 2000 due to the measures of the Israeli occupation. The EA provides relief assistance and cash assistance in some selected cases; it also provides for the creation of job opportunities and rehabilitation of the shelter. The beneficiary can make use of one kind of these schemes. The budget of the EA is funded through assistance granted to the UNRWA from the donor communities in response to its appeals for assistance. The appeal for 2007 involves a financial request of US $246 million due to the increase in the need for assistance by more Palestinian families. According to General Commissioner of the UNRWA "refugee families revert to the UNRWA asking for food assistance, while it is well known that they had provided for themselves for decades." For 2007 it is planned that the UNRWA would provide food assistance to 158 thousand refugee families in Gaza (i.e. 791.450 persons), and 102 thousand refugee families in the West Bank (i.e. 612,000 persons). The UNRWA seeks to provide assistance in the form of emergency employment (i.e. work for three months at a daily wage of US $12) to some 100 thousand refugees during 2007[14].

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13 http://www.un.org/unrwa/arabic/PublicStat/pdf/unif-14.pdf
14 http://www.un.org/unrwa

World Food Program (WFP)
The WFP worked to provide food assistance to needy families through many relief programs and other rehabilitation programs. Like many other international organization such as the UNDP or foreign development agencies, the WFP provides assistance through partnerships with a third parties (PNA ministries, UNRWA, or Palestinian NGOs). Due to the latest development on the Palestinian arena, the WFP acted to expand its programs in the OPT. The WFP emphasizes on the distribution of food assistance to non-refugee families (the UNRWA is empowered to provide assistance to the refugees). The WFP provides food assistance through work for food programs, or training for food which is implemented with local partners, or through the distribution of food packages directly through PNA ministries, or through NGOs.

It was planned that 480 thousand non-refugee Palestinians would benefit from the WFP programs between September 2005 and August 2007. However, the number of beneficiaries was raised to 600 thousand during 2006, and it was raised again in 2007 to 665 thousand. The quantity of food assistance distributed by the WFP amounted to 30 thousand tons in Gaza, and 37 thousand tons in the West Bank with a total value of US $36.6 million. Currently, the WFP provides help for 275 thousand people in Gaza, i.e. 60% of non-refugee Palestinians. Since June 2007 the WFP provides fresh bread to tens of hospitals in Gaza. The WFP estimates that 80% of the Gaza Strip population depends on food assistance provided by the program or through the UNRWA.

NGO Social Support Provision During 2006[15]
The number of Palestinian NGOs providing social support in the West Bank and the Gaza Strip amounted to 926 organizations, i.e. 62% of total Palestinian NGOs. There were 305 such organizations in 2000, i.e. 32% of total Palestinian NGOs then, which indicates the high increase in the number and relative importance of organizations that deliver social support to different social groups in the OPT during the last seven years, which is clearly a natural response to the harsh political and economic conditions and the rapid expansion of the poverty and unemployment circle during *Al-Aqsa Intifada*. 688 of these NGOs provide food assistance.

These organizations usually provide more than one kind of assistance. Organizations that provided one kind of assistance only were 16% of total social support NGOs, while 18.9% of them provided two kinds of assistance, 23.7% of them provided three kinds of assistance, and 43% of them provided four kinds of assistance or more. With respect to the type of social support, 72.6% of these organizations provided food assistance, 48.8% provided cash assistance and 30.4% provided job creation programs. With respect to other needs, it is found that 61% of assistance was offered in the area of health, while 4.7% was offered in the form of health insurance.

Through interviews with some of these organizations, it is concluded that many organizations focus their work on the poorest cases, especially those that suffer from chronic poverty. Within the same context, they depend mainly on the judgment of their employees in determining the beneficiaries from their services, or on the judgment of local committees in the relevant communities, or on the lists provided by the MSA.

13. Security Unrest and Internal Fighting

2007 witnessed an increase in dangerous phenomena such as the misuse of firearms and people taking the law into their own hands, assaults on private and public property in the OPT, as well as severe internal fighting, particularly between Hamas and Fatah in Gaza Strip during June, when Hamas took control of the Gaza Strip.

The Gaza Strip has witnessed a huge escalation in incidents of lawlessness, security unrest and internal fighting during the past few years. Such cases increased from only 3 cases in 2002 to 869

[15] These data depend on the results of survey on the Palestinian NGOs in the West Bank and Gaza Strip executed by MAS and the PCBS in 2007.

cases in 2006. Table 42 shows the human cost of such cases in the OPT, especially in Gaza Strip, as the number of victims amounted to 2.3 killed and 10.7 injuries per day in Gaza Strip only during the first half of 2007.

Table 42: Data on Cases of Security Unrest in Gaza Strip

2007	Number of Injured Persons		Number of Killed Persons	
	Total	Thereof Children	Total	Thereof Children
June	656	72	188	9
May	212	34	64	4
April	141	21	22	2
March	204	30	21	3
February	408	32	52	4
January	325	24	75	6
Total	1946	213	422	28

Source: http://www.mezan.org

Table 43 below shows the different kinds of security unrest and internal fighting in Gaza Strip according to the field monitoring by Al-Mezan Center.

On the other hand the Palestinian Independent Commission for Citizen's Right (PICCR) monitored the impact of security unrest on the violations of human rights in the OPT. According to the report the number of victims of the security unrest increased exponentially. So during 2004 the number of killed persons was 96, while in 2005 the number increased to 176, in 2006 the number became 345, and in the first half of 2007 the number reached 304. In one week (7-15 of June 2007) the number of killed persons reached 155. The report revealed dangerous violations such as outlawed execution of people without trial, civilian targeting and use of civilians as human shields, tampering with the corpses of the victims, the killing of those being hospitalized, and assaults on private and public properties. The Commission also monitored violations in the West Bank, though they were on a lower scale than those in the Gaza Strip[16].

Table 43: Classification of Security Unrest and Internal Fighting Incidents in Gaza Strip during the 1st Half of 2007

Classification	Number of Incidents
Family feud	67
Shooting	152
Armed Clashes	341
Kidnapping and Withholding	151
Killing	49
Assault against employees or public Figures	52
Closure of roads	7
Assault against institutions	206
Destruction	2
Burning	15
Explosive devices	9
Internal Explosions	42
Total	**1,129**

Source: www.mezan.org

[16] The Palestinian Independent Commission for Citizen's Right, 2007. Violations of Human Rights in the Palestinian Territory in Light of Internal Fighting that Erupted in the Gaza Strip on June 7, 2007, Ramallah.

The PICCR's documented killing incidents during 2006 (by the end of November 2006) were distributed as shown in Table 44 below.

Table 44: Classification of Documented Killings due to Security Unrest Situation in the Palestinian Territory (1/1/2006-30/11/2006)

Classification	Killings	Percentage (%)
Political Background	41	12.7
Family Clashes	88	27.3
Firearm Misuse	83	25.8
Revenge and 'honor' killings	110	34.2
Total	**322**	100.0

Source: PICCR Website, www.piccr.org, 10/1/2007.

13.1 Killed and Injured Persons

The monthly reports of the Palestinian Monitoring Group (PMG) indicated that during the first half of 2007 there were 18 victims of targeted assassination by Israeli forces. The report of the PMG indicated that the number of Palestinians killed reached 178 during the same period, while the number of injured persons reached 834 Palestinians during the first half of the year, including 128 children.

13.2 Obstacles to Movement and Transportation

The PMG monitored 2,444 'flying' (temporary) checkpoints in the West Bank during the first half of 2007, while there were 762 instances of total closures of crossings with Israel during the same period, and Arafat Airport remained closed since the beginning of the *Intifada*. The Israeli occupation forces imposed 67 curfews on different communities during the first half of 2007. This is in addition to the permanent road blocks that have become an indivisible part of the ordinary Palestinian's life because of their role as semi-border crossing points. As well as the delays, interrogations and inspections that Palestinians may be subjected to at these checkpoints, there is on occasion total closure of these road blocks under the pretext of security measures. These closures in fact amount to cutting of the links between the different towns and cities of the West Bank: the isolation of the north from the center, and the center from the south.

13.3 Assaults on Education and Health

The number of Israeli assaults on the Palestinian education sector reached 35 during the first half of 2007, and they included intrusions and searches in schools, deployment of troops in school grounds and sieges of schools.

With respect to the health sector, the PMG reports indicated that 54 assaults were executed against this sector during the first half of 2007. These assaults included the prevention of the ambulances from transporting the injured, with some instances of shooting at these ambulances, intrusion into hospitals, besiegement of hospitals, and arrests of injured persons.

13.4 Assaults on Property and House Demolitions

The phenomenon of targeting public and private Palestinian properties by Israeli forces continued with the demolition of 56 houses during the first half of 2007. The Israelis also occupied 227 houses and used them for various military purposes. The PMG monitored 573 assaults on Palestinian properties. These assaults included inflicting harm on agricultural lands, shops, cars' destruction, destruction of infrastructure in the Gaza Strip, scraping of plants and uprooting of trees, and destruction of agricultural tools and machinery on work place, whether they were used for drilling or for land reclamation.

13.5 Settlements Activities and Settlers' Assaults

The settlement activities continued in the OPT. The PMG monitored 36 settlement activities during the first half of 2007. These activities included confiscation and clearance of lands to establish a security fence, the return to deserted settlement centers, expansion and pavement opening of streets for the use of settlers, and the publication of tenders to build new housing units in Israeli settlements inside the West Bank.

Israeli settlers continued their assaults on Palestinian citizens and their properties. 178 such assaults were documented during the first half of 2007, and they included the intrusion into Al-Aqsa Mosque in Jerusalem, the intrusion into a mosque in the old city of Hebron, shooting of bullets in the direction of buses, assaults on Palestinian citizens by hitting them or throwing stones on them, the intrusion into the lands, villages and homes of Palestinians, stealing sheep, cutting down trees, and blocking access to land.

13.6 Palestinian Prisoners in Israeli Prisons

The report of the Statistical Department at the Ministry of Detainees and Ex-Detainees Affairs (MRPA) indicated that the number of prisoners reached about 11,000 by mid August 2007. The majority (9,370, or 85.2%) are from the West Bank; 890 prisoners, or 8.1%, are from the Gaza Strip; 506 prisoners, or 4.6%, from Jerusalem; and 142 prisoners, or 1.3%, from Palestinians living to the west of the Green Line. There are also tens of Arab prisoners from the Golan Heights, Lebanon, Egypt and Jordan (see Table 45).

Table 45: Number of Prisoners in the Israeli Prisons until the End of August 2007

Region	Number of Prisoners	% of Total Prisoners
Northern Governorates (West Bank)	9,370	85.3
Southern Governorates (Gaza Strip)	890	7.9
Jerusalem	506	4.9
1948 Palestinians	142	1.4
Arab Countries	92	0.5
Total	**11,000**	100

Source: Ministry of Detainees and Ex-Detainees Affairs

The report indicated that these detainees are distributed among thirty prisons and detention camps where the conditions clearly contradict international agreements. According to the report, the majority of prisoners are young and unmarried. And despite the fact that prisoners belong to all age cohorts, the youth has the highest percentage especially among those who are aged between 18-30 years. Almost three quarters of the prisoners (73%) are unmarried, while 27% are married.

The report also indicated that all prisoners had been arrested during the ongoing *Al-Aqsa Intifada* with the exception of 543 prisoners (5% of the total), who were imprisoned before that and still in prison. Of these, 357 prisoners (3.3% of the total) have been detained since before the Oslo Accord period.

The Ministry's report clarified that during the signing of the Oslo Accord in September 1993 there were 12,500 Palestinian prisoners in the Israeli prisons and detention camps. When the *Al-Aqsa*

Intifada erupted in September 2000, there only 1,250 prisoners in the Israeli prisons and detention camps, many of whom were released and only 543 of them remained in prisons until now.

With respect to children, the report indicated that there are more than 6,500 children who have been arrested since the *Al-Aqsa Intifada* erupted on September 28, 2000, of whom 318 children are still under detention and who constitute about 2.9% of all prisoners. It also indicated that 5 children are under administrative detention without any charges, 165 children are awaiting trail, 148 children have been tried and sentenced.

However, the report mentioned that there are more than 450 current prisoners who were arrested while they were still children and turned 18 while imprisoned. It also indicated that the Israeli government does not treat these children in line with standards adopted by the international community, including the UN Convention on the Rights of the Child.

Regarding female prisoners, the report indicated that there are 650 prisoners who were arrested during *Al-Aqsa Intifada*, 108 of whom (1% of total prisoners) are still under detention, and that 6 of them are under the age of 18 years.

The report indicated that there are 4,986 sentenced prisoners (i.e. 45.3% of all prisoners), 5,154 prisoners who are still waiting trials (i.e. 46.9% of all prisoners), 860 prisoners under administrative detention (i.e. 7.8% of all prisoners), and that there are 700 prisoners who are sentenced to one or multiple life sentences.

Regarding the health conditions of the prisoners, the report drew the attention to the fact that without exaggeration all prisoners suffer from different diseases due to the harsh conditions of prisons, and that among them there are more than 1,000 prisoners who suffer from extremely difficult diseases some of which are chronic such as heart diseases, cancer, paralysis, and psychological diseases, and that they need medical treatment, medicines, and emergency surgical operations.

The number those prisoners killed while in detention since the 1967 Israeli occupation until mid 2007 reached 190, 70 of whom were killed due to torture inflicted upon them during interrogation, 45 through medical neglect, and 75 were otherwise deliberately killed.