

ECONOMIC FRAGMENTATION AND ADAPTATION IN THE RURAL WEST BANK

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ECONOMIC FRAGMENTATION AND ADAPTATION IN THE RURAL WEST BANK

EXECUTIVE SUMMARY

Rationale for the study

Since 2000, a progressive fragmentation of established patterns of economic activity has taken place in the West Bank, involving the breakdown of relations with Israel, between districts and between urban and rural communities. This empirical study, based on extensive field research, examines local adaptation in rural communities in the Northern and Middle West Bank to stresses and changes in the economic environment resulting from fragmentation in the post-2000 period, and leads to conclusions about the state of the rural economy in the West Bank

This study is intended to generate ideas for policy discussion among the PA, the Palestinian private sector, donors, and humanitarian and development organizations. It seeks to draw out lessons on causes of economic vulnerability and what can be done to reduce such vulnerability as well as how they can usefully support the positive aspects of community adaptation and potentially scale it up. With regard to the latter, the challenge is to do so in a way that does not reinforce fragmentation, but which improves the viability of local productive activity, creates local jobs, reduces dependence on Israeli markets and, opens up opportunities for linking with other international markets. The ideas for policy-making contained in this report are expected to create a more robust, self-sufficient Palestinian economy, better-placed to take advantage of improved conditions if and when closures are eased. Following the Sharm El Sheikh summit the closure regime did ease somewhat but not yet to the extent needed. Current expectations are that with finalization of the Barrier, internal closures will be further eased while external closure will intensify for the movement of people but not necessarily for the movement of goods.

Most rural communities in the West Bank have been affected by intensified closure since 2000, but in different ways. In seeking to assess the variable effects of closure on different communities in a systematized way, this study has identified three “community types”, based on existing PCBS data about employment characteristics before 2000. These are A) communities with chronic high unemployment; B) relatively self-sufficient communities with traditionally high internal employment rates; and C) communities with high dependency on Israel for employment. Based on 175 structured interviews with Palestinian stakeholders, the study seeks to chart the impact of fragmentation on these existing community types. The needs of different community types, and how they are best addressed so as to build their resilience and potential for long-term development, are

explored in depth. In so doing, the study hopes to assist the PA, donors and development organizations to refine their targeting of assistance.

Findings on Community Vulnerability

A first part of the study focuses on describing the impact that key elements of the closure regime have had on specific community types. Overall, it was found that communities' ability to cope with closure, and adapt to its consequences, has depended first on their level of existing economic diversity and access to material, financial and human resources, and second, on the degree of their dependence on Israeli markets. Key findings are as follows:

Historically, rural areas of the West Bank have relied more heavily than urban centres on employment opportunities in Israel. The effect of job losses has therefore been most severe in rural communities. And it is in these communities that both *fragmenting* and *adaptive* patterns of economic change are most apparent. The impact was the greatest in rural Jenin, where employment in Israel dropped from 42% prior to the start of the *Intifada* to just 7% of the total working population today.

High Unemployment Communities (A-type) are ill-equipped to cope with the decoupling from Israel. Given their under-developed infrastructure, limited investment potential, no industrial or trade activity and low skill levels, these communities have enjoyed few or no options to adjust their economic base. In large numbers, women have sought out work, often for the first time, in an effort to replace men's lost incomes from the few jobs that had been previously available in Israel. Most of the new-found work has been in agriculture, and often unpaid, primarily as a result of an increase in family labour and share-cropping.

Dependent Communities (C-type) are now economically vulnerable. The study shows that, despite an outward appearance of wealth, communities that depended heavily on Israel for employment have likewise been ill-equipped to cope with intensified closure since 2000. With high levels of well paid and apparently secure employment in Israel, local investments in infrastructure, productive capacity, land and water resources and, education and skills had been neglected. In this context, communities have recently had to resort to livestock rearing for milk and cheese production.

Self Sufficient Communities (B-type), with diverse local economies and relatively high internal employment, have been best able to withstand the impact of closure. The communities best-equipped to cope are those that before 2000 were relatively self-sufficient and independent of Israel. They had a diverse economic make-up and high levels of internal employment. After 2000, industrial activity in these communities largely collapsed but well-developed local infrastructure, plentiful economic resources and high skill levels remained, creating a buffer against the ill-effects of closure. Trade and irrigated agricultural activities have become prominent in these communities. These communities would experience a more accelerated recovery if internal and external

closures were eased. Recovery would initially be limited as enterprises in areas such as textiles and stone-carving which have ceased operations or are steeped in debt will require time and investment before they can start creating jobs and generating profit again.

The Barrier has had a negative economic impact on all communities near it, particularly those to the east of it. Some of these communities had diverse local economies, vibrant markets selling goods to Israeli customers, and abundant water and land resources. An interesting development observed is that with the construction of the Barrier, employment levels in communities to the east of the Barrier have fallen more sharply than in communities to the west of the Barrier. Most Barrier affected communities, even though in smaller numbers, continue to rely on Israel for employment despite the difficulty of accessing work there, suggesting their inability to readjust to the local economy.

Findings on Change Patterns

In its second substantive section, the study explores more in detail the patterns of economic change that can be observed across rural communities. Overall, the study finds that economic activity is more and more confined to smaller geographic areas or 'localized', resulting in a more decentralized system of production and trade and the emergence of new local centers away from the traditional urban centers. At the same time the study has observed a shift of production and trade, including a migration of workers, to those districts where closure is relatively less strict. Finally, the study finds that there has been a clear shift in the type of economic activity pursued by rural communities in the sense that rural industry has substantially declined while agriculture has become the main employer in the majority of rural communities studied. Key findings are as follows:

New patterns of rural trade and services show visible signs of localization. New trade activity has developed in traditionally non-trading rural and small town communities. New shops and services have opened in rural and small town communities because of problems accessing urban centres, and because of their perceived potential as a survival strategy. In addition, new 'centres of localisation' are emerging, which service surrounding rural and small town communities. Beita in the Nablus district and Qabatia in the Jenin district are two such 'centres of localisation' that have the potential to remain as rural hubs even once closure is eased.

Localisation has also been apparent at the district level. Ramallah, already an urban hub, has experienced some expansion due to the relocation of businesses and temporary migration of workers from the northern districts to the city. This is primarily due to the fact that closure is less strict here and therefore salary levels and consequently purchasing power have remained more stable. Even with continued construction of the Barrier, it is expected that this district level shift will remain if internal closures are not eased.

Agriculture has become a resilient buffer to closure. Agriculture and livestock rearing, which were a minor sector of employment prior to 2000, now make up one third of all employment in the sampled rural communities. Agriculture and livestock rearing are effectively alleviating the effects of closure on households, and shielding the economy from complete collapse. However, due to limited land and water capacity, more investment and employment in this sector is regarded as a short-term crisis response.

Findings on Adaptation

The third section of the report explores how rural populations have sought to adapt to closure and shrinking economic potential and fragmentation. Overall, the study finds that, even though in some cases fairly robust, the adaptation strategies have been insufficient to recover levels of wealth and employment security enjoyed in previous periods, or to overcome ongoing pressures of fragmentation. The main direction of this adaptation has been towards more autonomy and localisation of economic activities, finding alternatives to normal levels of access and an increased role of women in the workplace, although mostly in unpaid positions. The key findings are as follows:

Minimizing economic risk through localization is a key factor of adaptation by rural producers. Increasingly, rural producers mitigate risk through a combination of measures, such as diversifying their income sources, minimizing travel and purchasing inputs from West Bank rather than Israeli suppliers. They reduce cash transactions to a minimum to stay afloat, substituting contracted labour with family labour, relying increasingly on credit and resorting to subsistence farming.

Alternative means to maintaining some access to traditional markets in Israel, Gaza and the southern West Bank keep some economic sectors afloat. Some rural enterprises are still able to engage economic activity through sub-contracting relations with Israeli firms. These are some of the only rural enterprises that continue to employ relatively large numbers of workers. Cut stone, textiles and cucumbers, which are the main export items produced in northern and central West Bank rural communities, continue to enjoy access to Israeli markets and are relied upon to a greater extent in generating employment. In addition, farmers increasingly rely on traders and middlemen to a greater extent than before 2000 to access markets outside the district. Individual bargaining power has weakened in relation to traders, as larger numbers of producers compete for access to distant markets, and traders are able to push prices down.

More women are working, and actively looking for work, to compensate for men's lost incomes. Women's work generally is becoming more socially accepted. The Economic crisis has given women the space to engage in a more public work life and household decision-making, while men feel that the crisis permits them to tolerate women's economic support. Women reported that they intend to continue working even if the situation improves indicating that more equal gender relations may be a long-term impact. Women's greater economic role is a potentially positive impact of economic crisis.

Many forms of adaptation have negative economic implications. Recent changes have been dominated by a shift from waged work to unpaid family employment or self-employment. These new forms of employment signal an increase in informal work, greater job insecurity, and a move out of the cash economy. Similarly, the migration of businesses and workers from the northern West Bank to Ramallah may contribute to a rising geographical disparity in incomes and economic opportunities.

Other forms of adaptation can provide a basis for building local capacity, creating local employment and reducing dependence on Israel. First, demand for local products and agricultural inputs, such as fertilizer, has strengthened. This form of localised “import substitution” has the positive impact of increasing Palestinian self-sufficiency and boosting local production. Second, the emergence of new “localised” centres for accessing rural goods and services supports the development of new employment alternatives which, if properly harnessed, can mitigate economic disparities in the short and medium terms. Third, women’s greater involvement in the labour market is significant, if unintended, social gain. If appropriately supported, this lays the ground for further economic and social empowerment of women in the longer-term.

Summary Conclusions and Recommendations

A main finding of this study is that only through addressing the underlying causes of community vulnerability to economic shocks can there be potential for lasting rural economic development. Economic patterns, developed under years of occupation, did not allow for adaptation sufficient to counter the lack of access to Israel for Palestinian workers and products. As such, it follows that the existing dependence on Israel must be addressed through greater integration of rural communities in overall economic development of the Palestinian territory through the diversification of economic activity, boosting of skills development and the enhancement of available infrastructure and access to financial and human resources.

A second main finding of the study is that great care should be given by policy makers and aid providers in terms of which adaptation or coping strategy to support. While the local populations in the rural villages studied indicate that their coping efforts deserve the support of the PA and international community, most of these coping strategies do not serve the interests of long-term economic recovery. However, as adaptation and coping strategies are reaching exhaustion, some short-term measures to alleviate impoverishment are equally important as more longer-term efforts to structurally recover sustainable economic activity in rural communities.

As such, this report recommends a three-pronged approach for addressing socio-economic needs in rural communities.

1. Supporting economic adaptation in an effort to alleviate some of the negative impact of impoverishment in the short-term. Specifically, this report recommends an

immediate effort to enhance local infrastructure as this would involve the creation of employment and an injection of cash into the community while at the same time facilitate localized economic activity.

2. Initiating interventions that seek to ensure that the positive potential of community adaptation and the lessons learned of community vulnerability analysis are transformed and harnessed into a longer term sustainable development process. The specific recommendations here focus on efforts to: 1) diversify economic activity, initially primarily through the introduction of value added industries such as food processing in the agricultural sector; 2) boost skills development; and 3) enhance the locally available resource base. Moreover, efforts to enhance women's participation in the labour force, support some level of localization of trade and commerce and increase the use of domestic inputs into the production process are recommended to boost the more positive elements of adaptation.
3. Creating the conditions of an enabling environment in order to fully exploit the potential of a viable and sustainable Palestinian economy. Specifically, the report here recommends continued efforts by all parties concerned to enhance access to markets and employment as this is the key to long-term recovery. Finally, the report recommends that the effective and strategic use of such an enabling environment will largely be determined by the Palestinian ability to define a clear vision and accompanying long-term strategy for a viable, structurally sound Palestinian economy.

ECONOMIC FRAGMENTATION AND ADAPTATION IN THE RURAL WEST BANK

1. INTRODUCTION

This study, funded by the Department for International Development (DfID)¹, aims to provide a deeper understanding of changes in the Palestinian socio-economic environment since the renewal of conflict and intensification of closures² in late 2000. The study examines the extent to which the West Bank has mutated from a relatively functional, albeit externally dependent, economic system into a set of fragmented, localized economies, and how it has adapted in order to maintain a basic dynamism. The work is based on extensive research, involving over 175 in-depth field interviews in 30 sample communities, as well as consultations with the PA, Palestinian private sector, donors and development and humanitarian organizations. Final drafts of the study underwent a “peer” review by several partner organizations.³

The study focuses on the North and Central West Bank rural areas. Sample communities were identified through an analysis of Palestinian Central Bureau of Statistics (PCBS) community-level statistical data, collected throughout the West Bank in 1997. These data provided a baseline against which socio-economic change was assessed. Field research was then undertaken in thirty villages and small towns in the West Bank districts of Ramallah, Nablus, Jenin, Tulkarm and Qalqilia over a period of six months between May and October 2004⁴. The research was conducted in four stages to collect information about 1) the socio-economic change in the community and its external relations, 2) the main productive sectors in the community, 3) the trade of locally-produced goods, and 4) producers’ and workers’ behaviour.

“Economic Fragmentation” is understood as involving the breakdown, since 2000, of economic relations between geographic areas and between economic actors. Principally, in this report, economic fragmentation stands for the breakdown of economic relations between the West Bank and Israel, and within the West Bank itself, i.e. between districts and between urban and rural communities. In addition, the research observed a breakdown in relations between employers and employees and between producers and markets, both in terms of outputs and inputs. The pattern of economic fragmentation in the West Bank has been generated by the interaction of three principal elements of Israel’s closure policy: i) a closing of Israeli labour markets to West Bank workers; ii) a contraction of trade relations with Israel and consequently with other foreign markets;

¹ The views expressed in this report do not reflect those of DfID but rather those of the authors of the report.

² For a detailed description of closure, see section 2.1.

³ MoP, PCBS, World Bank, OCHA, ICRC

⁴ For a description of the research methodology, see Appendix 1, For a listing of the 30 communities surveyed, see Appendix 2.

and iii) a disruption of traditional economic networks within the West Bank. Communities have adapted to this new fragmented reality by among other things, diversifying their income sources away from the Israeli labour market, and localizing economic activity.

The main objective of the study is twofold:

- 1) To identify the sources of economic vulnerability of rural communities in the West Bank and to assess how the imposition of closure measures has exposed these inherent vulnerabilities;
- 2) To identify how rural communities have chosen to adapt to economic fragmentation and to assess whether or not these forms of adaptation can be beneficial to long-term structural economic improvement.

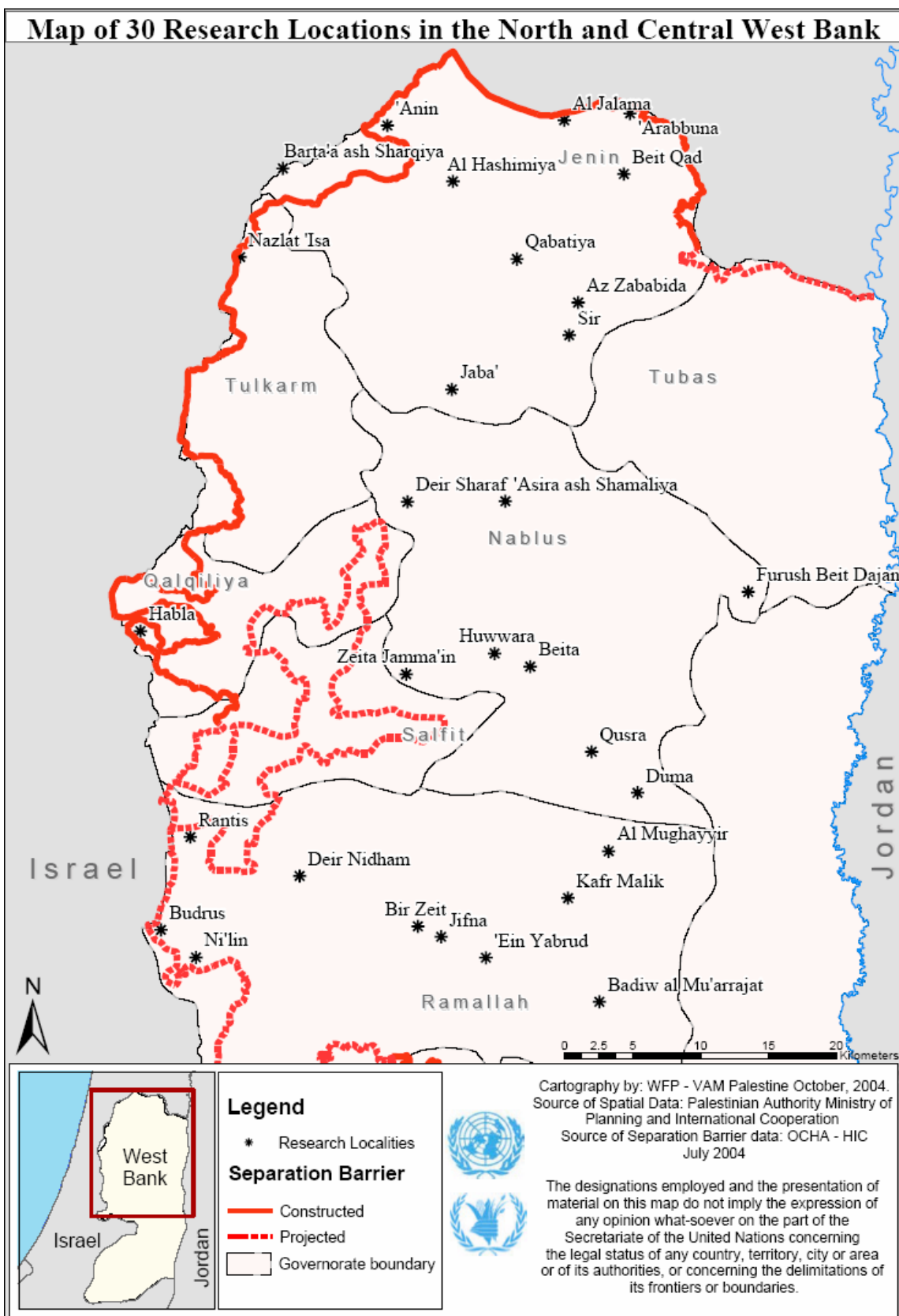
The study is intended to generate ideas for policy discussion among the PA, the Palestinian private sector, donors, and humanitarian and development organizations.

The study is organized in four main components. A first section explores what closure is and how closure has affected the economic status of rural communities in the West Bank, with a particular focus on employment, as the area where the imposition of closure has had the most direct impact. Moreover, the first section outlines how historical developments in such communities have made them more or less vulnerable to external shocks such as closure. This section uses a community typing technique to describe the changes in employment characteristics and analyses emerging patterns of vulnerability.

A second section goes on to examine patterns of change both at a geographic level as well as at the level of different economic sectors. A third section outlines community-level adaptation, specifically the “localization” of economic activity, new labour patterns, and local efforts to maximize the potential of small-scale agricultural and livestock production.

A final and fourth section discusses the policy implications of the study’s main findings. It highlights a number of positive aspects of economic adaptation and challenges the international community to seek to support these positive aspects without reinforcing the fragmentation process as such. Such measures would improve job opportunities, enhance local production and increase the availability of goods and services in the immediate term, while laying the grounds for longer-term development of the rural economy.

Finally, the paper’s findings are supported through an elaborate set of key narrative and technical appendices which set out the methodological basis for the study, provide tabulated data on employment and adaptation patterns and show survey results.



2. CLOSURE, EMPLOYMENT AND VULNERABILITY AT THE COMMUNITY LEVEL

2.1 CLOSURE

In order to understand the impact of closure and the manner in which rural communities have adapted, a first step is to more fully understand the concept of closure and how it has been implemented in the West Bank. The phrase closure is used to describe the imposition of measures that limit or prevent the movement of people and goods both internally within the West Bank as well as across borders between the West Bank and Israel and Jordan. The measures used in the West Bank to restrict movement take many forms such as curfews, fixed or 'flying' checkpoints, roadblocks, earth-mounds, gates, trenches and back-to-back terminals for the shipment of goods from town to town or from the West Bank to Israel, in combination with a permit system that allows for filtering as to who can and who cannot cross a checkpoint. The newest closure measure introduced in the West Bank is the Barrier, designed to maximise control of movement of people and goods from the West Bank into Israel.

Closure measures were first introduced in a systematic manner following the signing of the Oslo accords and have gradually increased in intensity since then. Following the start of the second Intifada, closure became a permanent fixture in the lives of the Palestinian population. During operation Defensive Shield in the first half of 2002, closure was intensified, often to the level of communities and in periods of high tension, even to the level of individual houses (curfews). Since then, the intensity of closure measures applied have fluctuated somewhat, depending on IDF assessments of security threats. However, in the majority of cases closure remained at a level where people were not allowed to travel freely between villages or between villages and the nearest urban center unless they were given a permit, which specified the hours of the day during which they were allowed to cross checkpoints. Since the summit meeting in Sharm El Sheikh in February of 2005, Israel has taken a number of measures to ease the daily living conditions of Palestinians primarily through the removal of some checkpoints, roadblocks and earthmounds. This has facilitated somewhat the movement within the West Bank (but has had no visible effect in terms of movement across the West Bank borders.)

In terms of daily living conditions, closure essentially restricted people to their own community with limited opportunities to travel to nearby urban centers or even neighbouring villages. Products produced outside of the community would only be available sporadically in small quantities. Employees previously employed in wage labour outside of their own community experienced difficulties in reaching their place of work and were often forced to stay for long periods away from their families or were forced to stop working altogether. Employers, facing difficulties in maintaining skilled staff or get their goods to market were forced to scale down, relocate or close business. Schools often had to replace teachers who could no longer reach the school with untrained local personnel and often had to limit school opening hours, particularly during the winter months, as dues were no longer paid. Families often had to forego necessary secondary or tertiary medical assistance as hospitals and clinics in urban centers could not be reached.



The Beitunia “back-to-back” terminal (Photo: John Tordai)

2.2 EMPLOYMENT: ITS EVOLUTION IN THE RURAL WEST BANK

Since 1967, the Palestinian economy became more integrated with and dependent on that of Israel. This integration of economies was eventually formalized by the signing of the Paris protocols as part of the Oslo peace process.

This interdependence of economies had both positive and negative effects. One such positive effect was a rise in wage levels for Palestinians in comparison to other neighboring nations. Most noticeable among the negative consequences were the disappearance of many local industries (as they could not compete with Israeli competitors who had free access to the Palestinian market), a growing confinement to production of low-skill goods and the emigration of a large segment of the labour force to Israel (For a more detailed background description of historical developments outlining the growing dependence of Palestinian rural communities on the Israeli economy, see Appendix 6).

During the 1970s and 1980s, almost one third of the Palestinian employment was in relatively well waged Israeli jobs and by 1988, whole rural communities came to depend entirely on work in Israel. While the high wages of Israeli jobs had the positive effect of capital injected into the Palestinian economy, the attractiveness of the relative high wages of work inside Israel also led to people forgoing education, thereby deskilling the Palestinian population, and stifling the development of local job opportunities.

Approximately 52% of the West Bank population (757,621 people) live in 322 rural communities and small towns (excluding refugee camps) with populations of between

500-10,000.⁵ Before 2000, almost one third of the working rural West Bank population was employed in Israel, largely in the construction sector, with the balance of the rural West Bank employed working in agriculture and manufacturing inside the West Bank. More Palestinians from the rural West Bank were employed in Israel than were employed in the Palestinian private sector (Appendix 3, Tables 1, 2, 3 and 4).

The peak of Palestinian employment in Israel occurred in 1998-99, after 3 years of steady growth. With rising tensions in 1999, and with renewed conflict and the intensification of external and internal closure after September 2000, the Palestinian economy experienced a sharp downturn. Even though closure was not a new phenomenon in one form or another since 1967, the speed and intensity with which closure was applied in September-October 2000 and the degree to which it was gradually strengthened over time meant a complete change of economic conditions and produced a shock to the Palestinian economic system that was unprecedented.

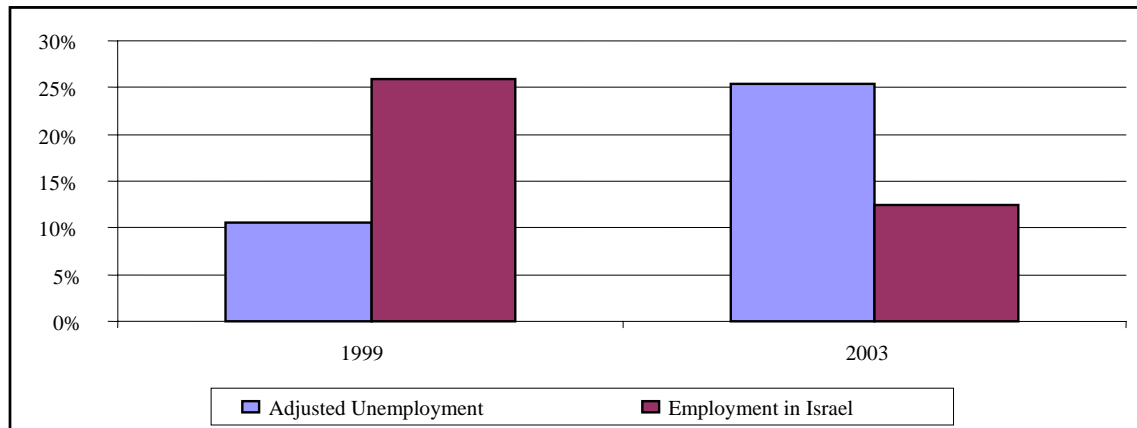
In order to protect Israeli citizens from attacks by Palestinians, the IDF cordoned off the external borders of the West Bank, severely limiting opportunities for Palestinians to: i) enter Israel for work; ii) procure inputs for agriculture, construction or manufacturing; and iii) sell locally produced goods on the Israeli market and consequently most foreign markets. External closure also severely restricted existing economic links between the Gaza Strip and the West Bank. In addition, in an effort to protect settlements, settler roads and the security of Israeli security forces, internal closures increasingly restricted the movement of goods and people between urban and rural areas, between districts and, in some cases, even between neighboring villages. The economic effects of closure were immediate and initially most noticeable in the area of employment.

During the last quarter of 2000, Palestinian employment in Israel declined sharply, particularly among rural communities (see Appendix 4, Figure 1). Over the next years, as the conflict escalated and closure was applied more stringently, the number of Palestinians employed in Israel continued to drop. The decline in income from Israeli jobs, coupled with the loss of markets for local producers, increased transaction costs and increased difficulties of workers in reaching their place of employment resulted in an unprecedented sharp rise of unemployment in the rural West Bank, with unemployment statistics rising from 10% in 1999 to 25% in 2003 (Figure 1).⁶

⁵ UNSCO calculations are based on 1997 Palestinian Central Bureau of Statistics (PCBS) Population Census data.

⁶ According to the World Bank, the Palestinian economy had experienced solid growth and a decline in poverty and unemployment on the eve of the *intifada*. (World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic Crisis – An Assessment*, March 2002). Despite a mild recovery in 2003, the one-off factors that contributed to this recovery did not reoccur in 2004 (See World Bank, *Disengagement, the Palestinian Economy and the Settlements*, June 2004).

Figure 1: Percentage of Rural West Bank Palestinians employed in Israel compared with the Rural West Bank adjusted unemployment rate



Source: PCBS labour force data

The fall in employment in Israel was sharpest in rural Jenin where employment rates in Israel dropped from 41.6 percent in 1999 to 6 percent in 2003 (See also Table 1 below and for more detail, Appendix 5, Table 2). Much of Jenin district borders on Israel, and traditionally has had strong connections with nearby Palestinian communities inside Israel itself. Jenin's own economic base has traditionally been modest and local wages comparatively low. (Appendix 4, Table 1), Together, these factors combined to make employment in Israel particularly attractive to Jenin's rural residents before 2000.

Table 1: Palestinians employed in Israel as a proportion of overall employment: 1999-2003. (sample of three West Bank districts)

	Q4-1999 (PCBS)	Q4-2003 (PCBS)
Rural Jenin	41.6%	6.0%
Rural Nablus	17.6%	7.9%
Rural Ramallah	15.9%	7.6%

Source: PCBS unpublished data

With increased restrictions on movement to Israel and within the West Bank itself, workers have come to rely on employment closer to home. Palestinians have attempted to replace jobs lost in Israel and the settlements with work in the district where they live. Of these new, localized jobs, a growing proportion involve unpaid labour in family businesses or in self-employment. This trend is generalized, but is most evident in the rural communities in Jenin (Appendix 5, Table 1).⁷

Most new jobs are in trade and agriculture. They are ad-hoc, short-term income-generating activities that meet some income and subsistence needs, often outside of the cash economy. In all economic sectors the proportion of employed that is categorized as

⁷ Often seen examples of this are farmers or manufacturers firing wage employees and employing family members to take their place, farmers and manufacturers selling their goods retail rather than wholesale and unemployed people engaging in subsistence agriculture or opening of small stores.

self-employed/employer is increasing. Similarly, most sectors (with the exception of the manufacturing and transport sector) show a comparable trend for the unpaid/family labour category. The proportion of wage workers is declining in all sectors. These trends are perhaps most noticeable in the agricultural sector where wage-based employment has become scarce (Appendix 5, Tables 2 and 3).⁸

However, despite these adaptation efforts, it should be well understood that overall employment in the Palestinian territory, and in particular within the rural communities, dropped significantly (see again Figure 1 above) and has currently, almost five years since the start of the *Intifada*, only stabilized at this very low level.

2.3 ECONOMIC EFFECTS AT THE RURAL COMMUNITY LEVEL

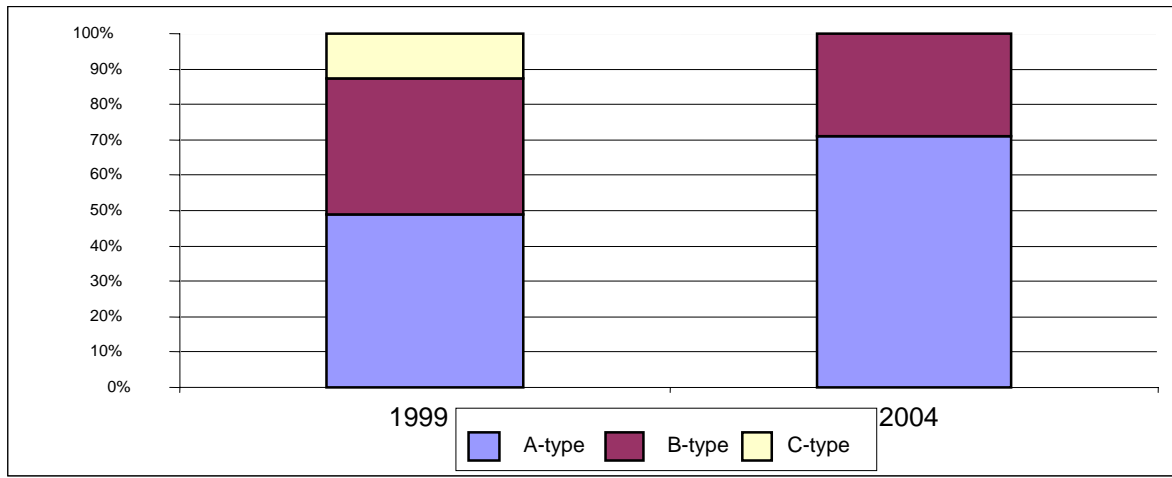
In seeking to assess the variable effects of closure on different communities in a systematized way, this study has identified three “community types”, based on existing PCBS data about employment characteristics before 2000. Before moving on to more generalized discussion about patterns of adaptation to the economic crisis in rural West Bank communities, this section focuses on the specific vulnerabilities and impact that each of these community types has experienced.

It is estimated that of the 322 rural and small town communities in the West Bank, 198 communities relied on employment in Israel for over 30 years. One hundred and fifty seven of these had low employment before 2000, with those few who were employed working mainly working in Israel (A-Type). Forty-one communities had historically high employment levels, but also depended mainly on Israel for jobs (C-type). For over 30 years, then, the lifeline of these communities was the Israeli labour market. Due to their dependency on easily accessible, low-skill wage labour, these communities have undergone a process of de-development, stemming from the deskilling of the labour force, and from the lack of incentives to develop local economic infrastructure and resources independently of Israel (Appendix 6). A further 124 communities, by contrast, had historically high employment *within their own district* (B-Type). Since 2000, surviving communities of this type have fared relatively better than other communities due to their diverse economic make-up and lower reliance on Israel.

By 2004, the majority of rural communities had slipped into low employment (A-type) with those communities with previously high employment rates due to work availability in Israel (C-type) disappearing altogether. The number of relatively self-sufficient communities (B-type) has fallen to 75 percent of the pre-2000 total (See figure 2 below).

⁸ According to PCBS labour force data, between the fourth quarter of 1999 and the fourth quarter of 2003, waged labour in the West Bank in agriculture fell from 20.4% to 4.2% of agricultural employment. Unpaid family labour rose from 40.2% to 53% and self-employment rose from 38.6% to 42%.

Figure 2: Community distribution according to A, B, C classification



Source: UNSCO 'Fragmented Economies' data

Four standardized indicators are used across these community types to further detail patterns of change and adaptation: 1) employment; 2) women's employment; 3) available resources and; 4) ability to cope (Appendix 7 provides detailed figures and tables underscoring the analysis below).

Communities with Traditionally Low Employment, mainly in Israel (A-Type)

These communities had traditionally low employment levels before the *intifada*. However, most of the few jobs that were held were located in Israel and, as such, highly paid by West Bank standards. After September 2000, overall employment levels actually *increased* in some communities, as residents substituted the low numbers of high paying Israeli salaries for lower paying work mostly in rain-fed agriculture within the community. As part of this pattern, women's employment, traditionally the lowest in this type of community before 2000, has also experienced a sharp increase, as women attempt to compensate for men's lost incomes.

In these communities, the local infrastructure necessary for economic development is absent because of the dearth of local industrial and trade activities and reliance on employment in Israel before the *intifada*. There are constraints even to a return to rain-fed agriculture, thereby providing limited seasonal incomes and only meeting some subsistence needs. Overall, these communities have been ill-equipped to deal with economic fragmentation, possessing few advanced skills, and little land or water for the development of alternative livelihoods. Typical examples of A-type communities are Ein Yabrud, Zeita Jamma'in, Sir and Al-Hashimiya.

Communities with Traditionally High and Diverse Local Employment Levels (B-Type)

These communities historically enjoyed relatively high employment levels *inside* the community and had developed diversified local economies. Since 2000 half of the B-type communities that were included in the sample have entered the low employment

category, primarily because of the demise of production and trade. Due to the higher skill levels in these communities, a relatively higher proportion of women earned public sector incomes. At the same time, and as was seen in 'low employment' communities, more women started working in agriculture and trade after 2000 to substitute for their husbands' lost incomes, resulting in a higher employment rate of women overall.

Generally, these communities possess greater human resources. Higher urban employment rates among these communities suggest that the higher schooling levels which they have enjoyed make them more competitive on the urban labour markets, and have thus helped them to diversify their income-base in comparison to other community types. Economic resources and infrastructure are also available for the development of shops, workshops and small factories. These are the least vulnerable communities and would experience a more immediate recovery if internal and external closures were eased. Recovery would initially be limited as enterprises which have ceased operations or are steeped in debt will require time and investment before they can start creating jobs and generating profit again. Typical examples of B-type communities in our sample include Jifna, Bir-Zeit, Beita, Az-Zababida and Jaba'. Typical industries that have been developed in such B-type communities to date include textiles, stone carving and metal workshops.

Communities with Traditionally High Employment in Israel (C-Type)

These are communities which, before 2000, had relatively high employment, mostly in Israel. The contrast between pre and post 2000 conditions has perhaps been sharpest among these communities, which have had to undergo a radical shift in income strategies. A significant number have shifted from salaried employment in Israel to local livestock rearing, a pattern which women have also followed.

These communities have the lowest education levels, lower even, than in the Type A communities with low employment before 2000, because their residents had sought out higher incomes in Israel and sacrificed education and training leaving them with few prospects. These communities have poor infrastructure (for example, water networks) because of the lack of investment or permission by the Civil Administration or the PA to build those networks⁹. The reliance on employment in Israel also meant that there has historically been little domestic productive activity, undermining the development of local trade and industrial infrastructure. Because of their proximity to Israel and settlements, many of these communities have experienced the added pressure of land confiscations. Typical examples in our sample of C-type communities are Al-Mughayyer, Frush Beit Dajan, Beit Qad and Arrabuna.

These communities' dependence on Israel curtailed their development prospects with the result that after September 2000, they had little capacity to adjust. The relative wealth accrued from well-paid jobs in Israel and the settlements prior to 2000 could not be transformed into assets for productive use locally. Households in these communities that

⁹ This often due to the fact that most C-type communities are administratively controlled by Israel (Area C).

had typically spent incomes on Israeli-imported consumer goods and by outwards appearances, had enjoyed relative prosperity, by 2004 have few local livelihood alternatives.

Indeed, despite surface appearances, “high employment communities” of this type (C-type) now share important similarities with the “low employment communities” (A-type) described above. One is a traditionally high dependency on Israel. Another shared characteristic is their typically low level of internal economic diversification. These findings suggest that communities that had high levels of employment in Israel before 2000 are becoming absorbed into an expanding ‘low employment’ category. If the status quo persists and these communities’ productive capacity is not enhanced, they will require sustained humanitarian assistance.

In addition to the three main types of community used, this study has further identified two sub-types (See also appendix 1 and 2). The first (D-type or Barrier affected communities) aims to reflect an additional external change affecting economic development while the second (E-type, new centers of localization) reflects a very specific type of adaptation to the negative effects of closure.

Barrier Affected Communities (D-sub-type)

In addition to the three community types discussed above, this study has also examined the effects of the Barrier on communities located in its proximity, and has drawn some important comparisons. Barrier-affected communities¹⁰ had the highest proportions of workers employed in Israel before 2000. In 2004, these communities continue to rely on employment in Israel twice as much as other sampled communities.¹¹ Communities located to the east of the Barrier have experienced a sharper fall in the number of employed people than other communities (Appendix 8). Apart from increased difficulties in gaining employment in Israel, other factors account for the fall in employment: local shops, workshops and small manufacturing enterprises that once catered to Israeli customers have been destroyed for the construction of the Barrier, or abandoned by their owners as their Israeli customers stopped coming. Also, access to local productive land has become more problematic. Erratic operating times and arbitrary procedures at gates in the northern West Bank have a significant detrimental impact on farmers and workers

¹⁰ The Barrier is now completed in the northern West Bank and is being erected in the central and southern West Bank. In some cases the Barrier separates (and sometimes encircles) communities from the rest of the West Bank and prevents or hampers access to land, workplaces and markets (Report of the Secretary-General prepared pursuant to General Assembly resolution ES-10/13 (UN General Assembly A/ES-10/248, 24 November 2003, p. 6-7). According to an analysis of the route of the Barrier as revised and published by the GoI in February 2005, approximately 10.1% of the West Bank and East Jerusalem, home to 49,400 West Bank Palestinians will lie between the Barrier and the Green Line. (OCHA, *Preliminary Analysis: The Humanitarian Implications of the February 2005 Projected West Bank Barrier Route*, 22 March 2005).

¹¹ Fourteen percent of the population in Barrier-affected sampled communities is employed in Israel and the settlements in 2004 while six percent of the population in all other sampled communities is employed in Israel, UNSCO “Fragmented Economies” data.

whose land and employment is on the west side of the Barrier, and traders can no longer make the journey to these areas.¹²



The Barrier near Beitunia (Photo: John Tordai)

Finally, there has been a shift in female labour patterns in D-type communities. For example in Habla (Qalqilia district), women's work outnumbered that of men by a ratio of 65 to 35. This is explained by the fact that it is easier for women to obtain permits to

¹² See *The Impact of Israel's Separation Barrier on Affected West Bank communities: A follow-up report to the Humanitarian and Emergency Policy Group (HEPG) and the Local Aid Coordination Committee (LACC)*. Update number 3, November 30 2003. p. 8.

access agricultural land on the West side of the Barrier. In addition, women often use their permits to travel to Israel for employment as cleaners and agricultural workers. When women from these Barrier or D-type communities are employed, they are more likely to work outside their immediate locality because of the dearth of income-generating opportunities inside the community.¹³

¹³ For example, in Arrabuna (Jenin district), women's employment rate was low before the *Intifada*. In 2004, women have come to constitute approximately half of the employed persons in the community. More than one third of this employment is in a textiles workshop in a nearby community.

3. PATTERNS OF CHANGE

3.1 CHANGES IN URBAN-RURAL RELATIONS

The localization of trade

Localization involves an increase in rural and small town trading, and related new economic activity, primarily agricultural, undertaken close to home. Rural and small town shops selling basic items catering to customers in the community are on the increase, while shops selling goods to Palestinian-Israeli customers have closed. Most rural and small town shops are a temporary response to movement restrictions between rural and small town communities and the urban centre. But some shops have the potential to remain in the long-term thereby generating modest new incomes and employment in rural and small town communities.

The emergence of this decentralized system of trading locations generally contains the following characteristics:

- *Local shops and services replace traditional dependence on urban centres:* Shops and services that residents would previously have sought out in the urban centre such as house equipment, medicine and medical products and construction materials, have become available locally (Appendix 9, Table 1). This increase is due to an increase in demand resulting from the constraints of getting to the urban centre¹⁴ and a greater supply of people willing to open a local shop.
- *They cater to local productive activity:* The increase in shops selling goods such as seeds and fertilizers, veterinarian services, fuel and freight transportation reflects the greater reliance on local agricultural activities (Appendix 9, Table 1).
- *Fewer shops sell luxury goods:* The decrease in shops selling items such as fresh meat and furniture is due to declining purchasing power and loss of access to Palestinian-Israeli customers (Appendix 9, Table 1).
- *A reliance on incomes earned outside the community:* The increase in the number of shops and services is most apparent in communities where a number of workers are employed outside the community¹⁵ as well as in those communities that have become the new centers of localization and as such attract customers from outside the community itself such as Beita and Qabatiya. This is because shops and services rely on externally-generated incomes and face constraints stimulating indigenous trade.

¹⁴ For instance, the distance from Frush Beit Dajan to Nablus city increased by 13 km as a result of closure, the duration of travel increased by 95 minutes and the cost by NIS 35. As a result, residents have switched to Tubas as the urban centre relied on for goods, services and work.

¹⁵ UNSCO conducted a statistical test which revealed that communities that had relatively greater proportions of workers employed outside the community experience a larger increase in the number of shops available locally.

- *Fewer shops cater to Palestinian-Israeli customers:* Eleven sampled communities have experienced a fall in the number of shops and services available (Appendix 9, Table 2). This fall is particularly evident in communities where trade was geared towards Palestinian-Israeli customers who can no longer reach the West Bank. In Barrier-affected communities, such as ‘Anin and Nazlat ‘Isa, the trade centers were destroyed with the construction of the Barrier.

The emergence of new local centers

In addition to the proliferation of decentralized trading and service outlets serving small towns and rural communities, certain locations have also experienced a concentration of economic activities. These new “rural centres”, or E-type communities, have experienced the highest rate of increase in new shops and services, and share two main characteristics:

- *They replace the traditional urban centre:* Palestinians come to these new rural centers, as opposed to the previous urban hub, to spend their money. These ‘centers of localization’ are distinct from other communities that have experienced some expansion of trade because customers come from nearby communities and not just from inside the community; businesses relocate there from other parts of the West Bank; and workers from outside the community are employed there.
- *New centers are mostly a temporary response to closure:* In some rural centers, the development of local trade and services appears to be temporary. In most of the ‘centers of localization’, expansion was followed by some contraction. For example, when Surda checkpoint between Ramallah and Bir Zeit was lifted, shoppers resumed traveling to Ramallah for provisions rather than turning to Bir Zeit. While some shops in Bir Zeit catering to surrounding communities closed, others catering to the local community remained. This suggests that although rural centres will not replace urban hubs, there is demand for the limited development of rural local shops and services.

Although most are temporary, some new centres have the potential to become permanent. This study found two examples of this. The first is Qabatiya, in the Jenin district. Historically, Jenin city had been a convenient market location for Palestinian-Israelis traveling to the West Bank to buy locally produced goods. However, the agricultural markets moved from Jenin city to Qabatiya in 2002 due to closure, military incursions and curfews which hampered the possibility of trade activity. Even though by 2004 there were far fewer curfews in Jenin city and many checkpoints in the district have been lifted, businesses and the agricultural market have not returned to the city, but remain in Qabatiya. With its 16 entrances, future closures in Qabatiya are expected to be more difficult to sustain, and its new Qabatiya Market is more accessible than Jenin city for West Bank customers.

A second example is Beita, in Nabus district. Nablus has traditionally been the commercial heart of the West Bank, but has experienced greater closure, curfews and military presence than other West Bank cities. It is considered unlikely that the closure of Nablus will ease in the near future, given the presence of 13 settlements and 25 outposts in the district.¹⁶ Beita, which is well-located on the road to Ramallah and Salfit, has become a convenient alternative to Nablus. Trade, and most notably the vegetable and livestock wholesale market, has expanded. Industry has grown due to stone-cutting and textile businesses relocating to Beita.¹⁷ Having lost jobs in Israel, residents have turned to their land¹⁸ or opened shops.¹⁹ This localization of markets and jobs is expected to be long-term given business owners' caution about returning to Nablus, fearing future Israeli security measures.



Beita market (Photo: John Tordai)



Nablus market (Photo: John Tordai)

In general, it is unclear whether “localization”, which is to say a greater reliance on goods and services obtained in rural and small town communities, will be permanent. Potentially, the development of local job and service alternatives in rural and small town communities is positive if it is harnessed for longer-term sustainable development and leads to a fall of economic disparities between urban and rural localities as the latter enjoy new economic opportunities.

3.2 CHANGES IN INTER-DISTRICT RELATIONS

Closure and fragmentation of traditional economic linkages have also had the effect of creating changes in economic relationships between districts in the North and Central West Bank. Most notably, Ramallah city has grown as a result of the downturn of

¹⁶ The tally of settlements and outposts is provided by Peace Now (Map, April 2004).

¹⁷ Stone-cutting enterprises moved from Nablus to Beita to be closer to Jamma'in where the stone is quarried. Textiles workshops in sub-contracting relations with Israel moved from Nablus city to Beita to get inputs from Israel and for better access to workers.

¹⁸ In 2004, 15 new greenhouses were erected and local residents began rearing goats.

¹⁹ Beita has experienced the largest increase in the number of shops of all sampled communities with a total of 193 new shops since the onset of the crisis.

economic life in Nablus and Jenin. Specifically, the following patterns have been observed:

- *The attraction of higher wages in Ramallah:* Nablus and Jenin workers move to Ramallah because of worsening prospects in the northern West Bank. The daily wage in the northern West Bank has fallen while in the central West Bank it has remained relatively stable (Appendix 4, Table 1).
- *The attraction of better business prospects in Ramallah:* Businesses are moving from the northern West Bank to Ramallah on account of the greater purchasing power of the Ramallah population.²⁰



Jenin Juice shop now located in Ramallah (Photo: John Tordai)

²⁰ The Nablus Chambers of Commerce reported that between 150-200 traders and manufacturers moved to Ramallah from Nablus (Meeting, Ma'az Nabulsi, 12/03/14). The Jenin Chambers of Commerce also reported an increase in the number of businesses that moved to Ramallah because purchasing power in Jenin declined and Israeli Arabs could no longer reach Jenin markets (Meeting, 17/03/04). The Ramallah Chambers of Commerce reports that businesses from other districts, in particular, Hebron, Nablus and Jenin are attracted to Ramallah city in greater numbers because of the relatively high number of wage workers in the city who demand more goods and services (Meeting, Salah Al Odeh, 07/03/04).

It is unclear whether this reconfiguring of inter-district relations will be permanent. For the time being, the move of businesses to Ramallah allows them to continue operating, but risks contributing to a disparity in incomes and economic opportunities between the North and Central West Bank (Appendix 10, Table 2).

3.3 CHANGES IN THE VIABILITY OF ECONOMIC SECTORS

The kinds of economic activity in which people engage are changing. Many small industrial enterprises have closed down, particularly in communities catering to Palestinian-Israeli markets. At the same time, reliance on small-scale agriculture and livestock has risen. Rural residents have come to rely on agriculture as a short-term crisis response. In general, this pattern indicates that a shift has occurred *from industrial to agricultural activity* in the West Bank's rural environment. This section examines some detailed aspects of this shift.



Stone cutters at work in Huwara (Photo: John Tordai)

Industry

Rural industry has substantially declined. Prior to September 2000, small-scale industrial activity provided rural and small town communities with waged employment and contributed to their development. By 2004, two-thirds of the sampled communities

have no significant industrial activity. The small aluminum, blacksmith and carpentry workshops and textiles and stone-cutting enterprises, that used to sell their wares directly to Palestinian-Israelis, are no longer able to do so. The result is a decrease in industrial employment, most notably in the textiles industry and in Barrier-affected communities (Appendix 11, Table 1 and 2). Overall, in the 30 sampled communities, the number of Palestinians employed in industry dropped by almost 65 percent. In comparison, industrial activity in urban centers dropped less dramatically, primarily due to the fact that urban communities in themselves provide a bigger market for industrial products than is the case for rural communities.

Agriculture

By contrast, *agriculture's role has grown* in rural and small town communities, making up over one third of all employment in the sampled communities in 2004. Agriculture, which was not the main employer in any sampled communities before the *intifada*, has become so in 18 communities.²¹ Critically, this has not meant that agriculture has grown in absolute terms: In most communities where agriculture has become the main employer, there has not, in fact, been an increase in sector activity itself. Rather, agriculture has simply suffered less shrinkage than other sectors. In these communities, the agricultural activity is largely to support home consumption.²²

Vegetable farming (irrigated)

In the communities where agricultural employment has increased, it is largely in *small-scale vegetable farming*.²³ More Palestinians are engaging in small-scale farming using family labour. Large-scale farmers, who can no longer afford to pay wage workers, are selling or renting out their land, or engaging in share-cropping arrangements with landless Palestinians (Appendix 12, Table 2). This shift towards agriculture-based livelihoods has involved new constraints and challenges. Input prices have risen due to rising transportation costs; competition has increased (discussed below in the section, 'Subcontracting'); and traders / middlemen have come to monopolize access to markets and inputs in some isolated communities (See also the box below).

Olive farming (rain-fed)

Olive farming *has not experienced an increase in activity* equivalent to that in irrigated farming but in relative terms did become a more important source of employment²⁴.

²¹ In line with PCBS definitions, subsistence agriculture is included as a form of employment. See also Appendix 12 (Table 1) for a more detailed description of the role of agriculture in the rural communities.

²² In the 18 communities where agriculture has become the main form of employment, fifty-six percent of the households engage in agriculture for home consumption only and not for sale. Forty-four percent of households engage in agriculture for a combination of subsistence and sale.

²³ Statistical data show that the productivity of vegetable farming has increased. At the same time, the area of land cultivated has remained fairly constant (Appendix 12, Table 3).

²⁴ Employment in olive farming has increased in B-type communities, particularly in Nablus and Barrier communities. Other community types did not see an increase because they do not have the land to absorb additional labour.

However, the inability to reach markets in Gaza and Israel, the decline in local purchasing power and the seasonal nature of the work (see box below) mean that olive

Work in olive farming

Given the fall in olive prices, the loss of Palestinian-Israeli and Gazan markets and the fall in local consumption, the attribution of increased importance to olive farming is an indication of the lack of economic opportunities available. While providing some work to the newly-unemployed, it provides little by way of employment security. The work is seasonal, involving a two-month intensive harvesting period in addition to some plowing, pruning and the application of fertilizer. It may be that the explanation for the return to olive farming under current adverse conditions is as much to do with keeping up appearances and retaining a respectable social status in the community as much as it is about work and income.

farming cannot provide a sufficient alternative income source. As such, the research found that farmers have stopped investing in their land, and are unwilling to plough or fertilize it, thereby undermining its future productive potential.



Cheese production in Al-Mughayyer (Photo: John Tordai)

Livestock

Palestinians have *invested more capital in livestock*²⁵ given the lack of available irrigated agricultural land, particularly in Jenin and Nablus districts (Appendix 13, Table 1). New capital investment has been accompanied by a rise in *milk and cheese* production across the West Bank (Appendix 13, Table 2). More Palestinians are producing milk and cheese in an effort to earn an income from livestock. Meat production has also increased but less so because of people's declining ability to purchase expensive foods has kept profit margins small. Importantly, high input costs for livestock have meant that the profitability of livestock rearing is relatively low compared with plant agriculture (Appendix 13, Table 3). For producers, already-low profit margins have shrunk further due to the fall in prices of meat and cheese in local markets (Appendix 13, Table 4).²⁶

²⁵ Livestock production has become the main income source in communities which had relied heavily on Israel and the settlements for employment (C-Type).

²⁶ The increase in livestock activity is attributable especially to families that have started raising a few sheep or goats to help meet subsistence needs. More prosperous farmers with larger establishments invested more capital in their farms at the onset of the *Intifada* in the hope of selling more produce to compensate for declining prices and loss of alternative income sources. However, several years on, they have reduced their farm sizes finding their expansionist strategy unviable given the high prices of inputs and decreasing prices of dairy produce and meat in local markets.

4 PATTERNS OF ADAPTATION

4.1 PRODUCERS' ADAPTATION STRATEGIES

In the same manner that small shops and service outlets have “localized” by expanding directly into small town and rural communities, industrial and agricultural production and marketing have undergone several geographical and economic re-configurations in order to adapt to closure-induced fragmentation. This section takes a closer look at three main ways in which this has occurred.

Localizing production and trade

In rural industry, there has been a pattern of *relocating operations to minimize travel*. Stonecutting enterprises have moved closer to quarries. Textile workshops have moved from Israel and West Bank urban centres to West Bank rural and small town communities so as to circumvent problems of workers in reaching the workplace.²⁷ The localization of different aspects of the production process is positive in that it reduces transportation costs, secures cheaper inputs and minimizes risk. The danger, however, is that communities located near closure obstacles are drained of economic activity which moves to locations where there is freer movement resulting in high levels of unemployment and poverty in those areas of former economic activity.

Increasing numbers of *livestock and agricultural markets have relocated from urban centers to selected rural and small town communities*. The result is a loss of business for urban traders and urban workers employed in the urban markets. The routes for the farmers to the new markets may be less direct and involve higher transportation costs. Furthermore, the longstanding agreements between farmers and urban traders on prices and credit have been disrupted, with the result that farmers have to rebuild new relations with rural traders that may be on less advantageous terms.

There is a *greater reliance on local inputs in agricultural production*. This is due to the increased expense and difficulty of obtaining inputs from Israel (Appendix 14, Table 1). For example, farmers have switched to no-cost, locally-produced organic fertilizer to replace more expensive chemical fertilizer from Israel (see box below). Likewise, they have started buying local rather than Israeli-imported chicks, seeds and seedlings. This has the positive impact of increasing Palestinian self-sufficiency and boosting local production.

²⁷ For example, in Barta'a ash Sharqiya, (Jenin district) there are four textile workshops. Two of these moved to Barta'a from Israel in mid-2000 due to the movement restrictions. Even before Israel's heightened closure measures imposed in September 2000, employers reported that permit requirements made it difficult for workers to reach the workshops in Israel. In Al-Jalameh, also in Jenin district, three of the four textile workshops moved to the community due to closure. One moved from Sandala in Israel in 2002 due to the construction of the Barrier which made it difficult for the workers to reach the workshop. Two other workshops moved from Jenin city to Al-Jalameh in 2003 because during the closure around the city, Al-Jalameh became more accessible to workers.

The exception to this pattern is in livestock farming. Livestock farmers continue to buy Israeli feed because it is less expensive than Palestinian feed (Appendix 14, Table 1).²⁸ A trading network has developed around Israeli feed, whereby large-scale farmers have begun to supply smaller farmers. Small-scale farmers buy feed in the community to reduce transportation costs. For large farmers, engaging in this trade is an opportunity to diversify into other kinds of activity and thereby mitigate the risk of reliance on farming. While the use of Israeli-produced inputs in the livestock sector is a constant, what has changed is the fact that before the Intifada, farmers used to procure their feed in the urban centers, whereas today, this role has been taken over by large-scale farmers at the rural community level (See also Appendix 14, Table 2).

Using Organic Fertilizers in Olive Farming

In fourteen of 27 cases, farmers indicated that they are replacing chemical fertilizers with organic fertilizers totally or partially due to the higher cost of chemical fertilizers and their unavailability. Organic fertilizers are usually obtained from local poultry and livestock farms at no cost. In Deir Sheraf (Nablus district), the higher demand for local organic fertilizers means that poultry farmers have now started charging money for what used to be no more than a costly by-product.

Moving out of the cash economy

With growing unemployment and reduced economic activity, the circulation of cash in the Palestinian economy is contracting. While some of the cash shortage is offset by reduced domestic demand, producers have been forced to find alternatives to the use of cash as a means of payment or remuneration.

There has been an *increase in non-wage* labour as producers have sought to reduce cash transactions to a minimum. Agricultural farmers who relied mostly on waged labour in the pre-*Intifada* period have now substituted this with unpaid family labour (Appendix 15).²⁹

The popularity of share-cropping is rising. Landowning farmers rely more on share-cropping arrangements particularly in olive production. Instead of hiring wage labourers, they pay landless families for their labour in-kind with a portion of the produce. This option, which became more popular at the start of the *Intifada*, is less attractive to share-croppers four years on, due to the difficulty selling the produce. This arrangement is also less satisfactory to the landowners because they give away a larger proportion of their produce to the sharecroppers.³⁰

²⁸ Research conducted by UNSCO found that Israeli producers are selling left-over feed that has passed its expiry date to West Bank traders at low prices.

²⁹ One exception to this is in livestock farming, which saw little change, as the sector relied on family labour pre-*intifada*. Industrial employment also saw little change as it is difficult to substitute the skills of paid labourers in this sector.

³⁰ Sharecropping has increased from one third of produce to two-thirds since 2000 as landowners find it increasingly difficult to find workers who will accept non-cash payments.

With cash in short supply, producers have increasingly relied on credit in order to purchase farm inputs. However, the strain on these credit relations is growing. Agriculture and livestock farmers, who rely on credit from input suppliers, are under threat of having their access to credit cut if they haven't been cut off already.³¹

For the first time, farmers and manufacturers have begun to rely on *barter and in-kind payments* for goods, because of a shortage of cash to pay for productive inputs. Examples include: farmers exchanging new-born animals to obtain inputs that they can no longer purchase on credit; welders making window frames for an aluminum trader in exchange for needed inputs; and tanners exchanging animal skins for shoes.

Minimizing Risk

Due to the risks associated with agricultural-based livelihoods, farmers attempt to switch or develop multiple income sources to minimize those risks. Examples from this study include: switching from crops grown for Israeli markets (paprika, Jew's mallow and spinach) to crops geared to West Bank markets (tomatoes); cultivating field crops and tobacco between olive trees; supplementing of agricultural incomes with waged work in



Diversified agriculture - Almond trees, greenhouses and irrigated farming (Photo: John Tordai)

³¹ For example, in Ni'lin in Ramallah district, before the *intifada*, there were 20 large poultry farms (each with 15,000 - 35,000 chicks). By 2004, the farmers could no longer obtain the chicks on credit but had to pay in cash. Now only seven poultry farms remain.

nearby communities; uprooting of citrus trees and replacement with plant vegetables, which can be harvested throughout the year; switching to less costly agriculture (greenhouses to open-air farming) even where this is less profitable; and renting or selling of a portion of land in order to raise cash.

4.2 THE RESPONSE TO LOSS OF MARKET ACCESS

As already noted earlier, closure has affected the ability of consumers to purchase goods far from their community. The expansion of small shops and services directly into rural communities has been a response to this. In a similar way, it has become more difficult for *rural producers to reach markets outside the district*. The biggest traditional markets that have been lost are those in Israel, Gaza and the southern West Bank.

Within Israel, Palestinian and Jewish Israeli customers had been an important market for West Bank produce for several decades. Local farmers in the Nablus and Jenin districts were told by shopkeepers not to come to the market on Saturdays as they would be too busy with Israeli customers.³² Both Jewish and Palestinian Israelis went to the West Bank to buy low-cost goods, or to make use of various services such as car or appliance repair, carpentry, and dentistry, all of which were considerably cheaper than in Israel.

After the first *Intifada* (1987 – 1993) many of the Jewish Israelis stopped their West Bank shopping expeditions but Palestinian-Israelis continued to travel to the West Bank in large numbers. During the early years of the second *Intifada*, demand from across the Green Line shrunk even further as Israeli Defense Force (IDF) soldiers restricted Palestinian-Israeli shoppers from transporting goods from the West Bank to Israel³³. However, Palestinian-Israeli traders continued making the journey because the price differential continued to make the delays at checkpoints worth it.

The construction of the Barrier has made it even more difficult for West Bank producers to maintain links with Israeli customers. The Barrier has put a stop to the small number of remaining Palestinian-Israeli shoppers traveling to the West Bank, and has cut the lifeline of communities such as ‘Anin and Nazlat ‘Isa to Palestinian-Israeli communities and traders³⁴. UNSCO research found that in Nazlat ‘Isa, 224 shops located near the Green Line were destroyed to allow for the construction of the Barrier, while 18 further away

³² A study conducted in a Palestinian-Israeli village in Galilee, Deir Al-Asad, estimated that 70% of women residents had shopped regularly in Jenin. (T Forte, 2001, Shopping in Jenin: women, homes and political persons in the Galilee, *City and Society* XII (2): 211-243).

³³ For example, respondents in Ni’lin (Ramallah district) reported that Palestinian-Israelis are forced to dispose of their goods at the checkpoints into Israel.

³⁴ Interviews with livestock producers in Arrabuneh (Jenin district) revealed that the Barrier stopped the direct trade in meat with Palestinian-Israeli communities. In 2004, a reduced amount of meat was sold indirectly in Israel by Palestinian-Israeli traders with permits who acted as middlemen, buying up the meat from the community and selling it in Israel. In Nazlat ‘Isa in Tulkarm district, vegetable producers reported that the loss of Palestinian-Israeli customers with the construction of the Barrier resulted in a surplus of vegetables and a fall in prices. As a result, farmers reduce the quantities of spinach and sweet peppers that they cultivated. In ‘Anin, where olive oil was the most important locally-produced good, after the construction of the Barrier, residents can no longer transport the oil to the main market in Umm Al Fahem because they cannot obtain a trading permit allowing passage through the Barrier gate.

remained intact. In ‘Anin, 10 of 67 shops were destroyed and 32 were closed by their owners due to lack of business. Palestinian-Israeli traders are now required to apply for permits from Israeli authorities to trade in goods for which there is market in Israel, such as stone, cucumbers and tomatoes.

The remainder of this section examines more closely examples of how rural producers from the North and Central West Bank have sought to adapt to the increasing difficulty in accessing markets.

Sub-Contracting

In some communities, men and women who previously worked in Israel are now working in cucumber farming for Israeli contractors. Rural West Bank enterprises that engage in sub-contracting relationships with Israeli firms are now among the only enterprises in rural communities that continue to employ relatively large numbers of workers.³⁵ Sub-contracting arrangements with Israel have taken on an increased importance in generating employment in rural communities as the West Bank economy contracts, but continue to carry high risks.³⁶

One example of risk is cucumber production in Jenin. Cucumber production for Israeli pickling markets has almost doubled under subcontracting arrangements with Israeli firms since September 2000. However, this production is dependent on an Israeli market that has been volatile, with demand from Israeli pickling factories decreasing due to the decline in the tourism and restaurant sector (Appendix 16, Tables 1 and 2).

In addition, sub-contracting arrangements have increased the *level of competition* from other districts with which Israeli firms have engaged. Whereas prior to the *Intifada*, Jenin district produced almost three quarters of all cucumbers destined for Israeli markets, by 2003, Jenin’s market share had fallen to just over half of the total purchased by Israeli firms. (See box below and Appendix 16, Tables 3 and 4). The increased competition for Israeli markets in turn has forced the price of cucumbers down.³⁷

³⁵ The fact that the majority of medium-sized enterprises in the West Bank owe their existence to sub-contracts with Israel illustrates the extent to which Palestinian industry has adjusted to Israeli closure policy. According to an UNCTAD report, sub-contracting arrangements provide some benefits (e.g. advanced payments, on-the-job training, and a more secure supply of inputs, machines and equipment), but have been detrimental to the growth of Palestinian SMEs. Israeli firms set the limits for the development of these enterprises’ productive capacity and management experience and thereby restricting their productive processes to labour intensive activities (*Palestinian Small and Medium-Sized Enterprises, ibid*, p. 13, p 18).

³⁶ For example, the decline in construction in Israel has had a negative impact on West Bank cut stone exports, with the result that work hours are reduced. Israeli sub-contracting agreements with West Bank textile workshops have dwindled due to the unreliability of West Bank enterprises in meeting schedules under closure conditions.

³⁷ In 2000, the price of cucumbers in Qabatiya was NIS 1.90 per kilogram. In 2004 they cost NIS 1.5 per kilogram.

Cucumber Farming in Jenin district

More farmers, less demand:

More people in Jenin district are farming cucumbers on smaller pieces of land. Cucumber farming is popular because cucumbers continue to access to Israeli markets. At the same time, the cucumber yield in the district has fallen. This is due to lower demand in Israel and local markets and increasing competition from other districts, where people have started planting cucumbers because of the crop's relatively good access to markets. As more Palestinians without work turn to cucumber farming, the supply of cucumbers increases and Israeli factories can lower the prices at which they buy the cucumbers.

Farmers' terms of trade weakened:

Before September 2000, farmers in Jenin district in sub-contracting agreements with Israeli pickling factories provided these factories with cucumbers directly. Since September 2000, access for Israeli purchasers to the West Bank has become difficult. Intermediaries have stepped in to maintain the link between the farmers and pickling factories. However, they only give contracts to those farmers who buy inputs from them at prices higher than previously paid.

The role of intermediaries in facilitating access to markets

As producers' direct access to main markets has declined, *intermediaries*, such as wholesale traders and other middlemen, have taken on a greater role in getting goods to market throughout the West Bank and in Israel. In so doing, they have increased their market share (See Box below). They have at their disposal resources including Jerusalem Identification or, as Palestinians from the West Bank, personal connections within the PA, Palestinian Chambers of Commerce, Israeli businessmen or the Israeli District Coordination Office, which facilitate obtaining travel permits.

Prospering traders

Two interviewed wholesalers, trading in cheese and olive oil, increased their market share, thanks to their ability to reach markets throughout the West Bank despite movement restrictions. Since September 2000, they have actually bought up larger quantities of goods from farmers. For instance, the cheese trader now markets 100 tonnes each year compared with just 30 tonnes before 2000. This increase is because farmers, who in the past sold their goods directly to retailers and final consumers throughout the West Bank, came to rely more on these wholesalers as the only means to access faraway markets throughout the West Bank.

These two wholesalers owe their success to their long experience in trade which has provided them with good connections in Israel and the West Bank. Unlike most traders, they can afford the higher transportation costs involved in trading in other districts of the West Bank and in Israel – hiring truck drivers with permits or Jerusalem IDs to deliver goods to buyers.

One negative effect has been an erosion of producers' terms of trade. Besides being forced to use wholesale traders because of their own inability to reach distant markets, their bargaining power is further weakened due to the fact that they now have to compete for access to smaller markets in larger numbers. This competition between producers allows traders to push prices down leaving isolated farmers little alternative but to accept the lower prices offered by traders (See Box below).

Vegetable farming in Al Jalameh and Qabatiya

Before the construction of the Barrier, Jalameh, in northern Jenin district had a thriving vegetable market. No longer able to reach markets in Israel and a long distance from Qabatiya, where the new agricultural market is now located, Jalameh farmers have become vulnerable due to their isolation. They arrive late at Qabatiya market because of the long journey and as a result have to sell their produce at a lower price than the price fetched by farmers from Qabatiya and nearby communities who arrive at the market early in the day.

Jalameh farmers complained that input prices were higher than in other better-connected communities because traders took advantage of their isolation by providing inputs at inflated prices. Nurseries that are hired by the farmers to grow seeds charge higher prices in Jalameh than in other communities, such as Qabatiya, where there is greater competition between nurseries.

4.3 WORKERS' ADAPTATION STRATEGIES

In the same way that patterns of consumption, production and trade have shifted as a result of closure and the economic fragmentation that it has produced, so too have traditional labour patterns undergone change. Like other shifts, these changes in labour reflect efforts by the West Bank's rural communities to cope and adapt to the difficulties of the prevailing economic environment. And like the other shifts explored above, they contain a few positive elements set against a deteriorating background.

Women's increased role

A potentially positive impact of the current economic crisis is that *more women are actively looking for work than ever before* to substitute for men's lost incomes³⁸. Although it is often widows or unmarried women who are said to engage in trade and work outside the community, women's work – commonly in agriculture, trade, embroidery and textiles, both in and outside the community - is becoming more socially accepted. Indeed, the economic crisis has given women the space to engage in a more

³⁸ In contrast to UNSCO's research findings, the PCBS' labour force survey data shows no increase in women's employment. This may be explained by the specific focus that the UNSCO study has placed on women's work, including informal work. Women fieldworkers were employed to conduct interviews with women respondents, with a strong emphasis on survey methods which highlight the gender aspect of employment.

public work life and household decision-making. Meanwhile, men feel that the crisis permits them to tolerate women's economic support. For the most part women still work inside the community and earn relatively low incomes.³⁹ Yet despite the increased work burdens, women express a sense of empowerment and increased confidence because of their new-found role. Women report that they intend to continue working even if the situation improves indicating that more equal gender relations may be a long-term effect.



Women at work in Barta'a a-ash-Sharqiya (Photo: John Tordai)

Continuing reliance on employment and markets in Israel

Israeli wages continue to attract, and employment in Israel continues to be perceived as *one of the best work options*. However, the closure-imposed constraints, as discussed in Chapter 2, make this a difficult option for most. Those fortunate enough to possess permits still face delays at Barrier gates and checkpoints, making it difficult for them to arrive at work on time (See box below).⁴⁰ Moreover, workers have in many cases been forced to travel longer alternative routes when Barrier gates are closed while the hours of operation of Barrier gates can be incompatible with the working day in Israel.⁴¹

³⁹ Women textile workers earn some of the lowest incomes in the West Bank (between NIS 2 – 6.5 per hour). Wages are said to have lowered during the *intifada* due to an increase in the supply of women seeking employment. One exception is embroidery work where up to USD 600 per dress can be earned.

⁴⁰ See *The Impact of the Barrier on West Bank Communities: An update to the Humanitarian and Emergency Policy Group (HEPG) and the Local Aid Coordination Committee (LACC)*, September 2004, fourth update.

⁴¹ The working day in Israel is from 7 a.m. till 4 p.m. Delays or the closure of gates mean that workers typically arrived at work late.

The Barrier also reduces entry to *workers and traders without permits* into Israel.⁴² Those workers without permits who manage to enter Israel find that the climate – in terms of pay and living conditions - has deteriorated. In addition, attempting to enter Israel without a permit means higher travel costs due to the need to circumvent closure obstacles, the risk of being caught⁴³ and the reluctance on the part of Israeli employers to hire illegal workers for fear of violating

Circumventing the Barrier

‘Anin is a small community located near the Green Line in Jenin district. Before the Barrier was constructed, residents had strong trading and employment links with Israel as the distance between ‘Anin and Umm Al Fahm is only one kilometer. Another approximately 10,000 Palestinian workers traveling to Israel passed through ‘Anin daily. Palestinian-Israeli customers circumvented checkpoints and other physical obstacles to buy inexpensive goods from ‘Anin. The Barrier has now completely isolated ‘Anin from neighboring Arab Israeli communities. Three of the four textile workshops closed leaving only seven of the original 120 women workers employed.

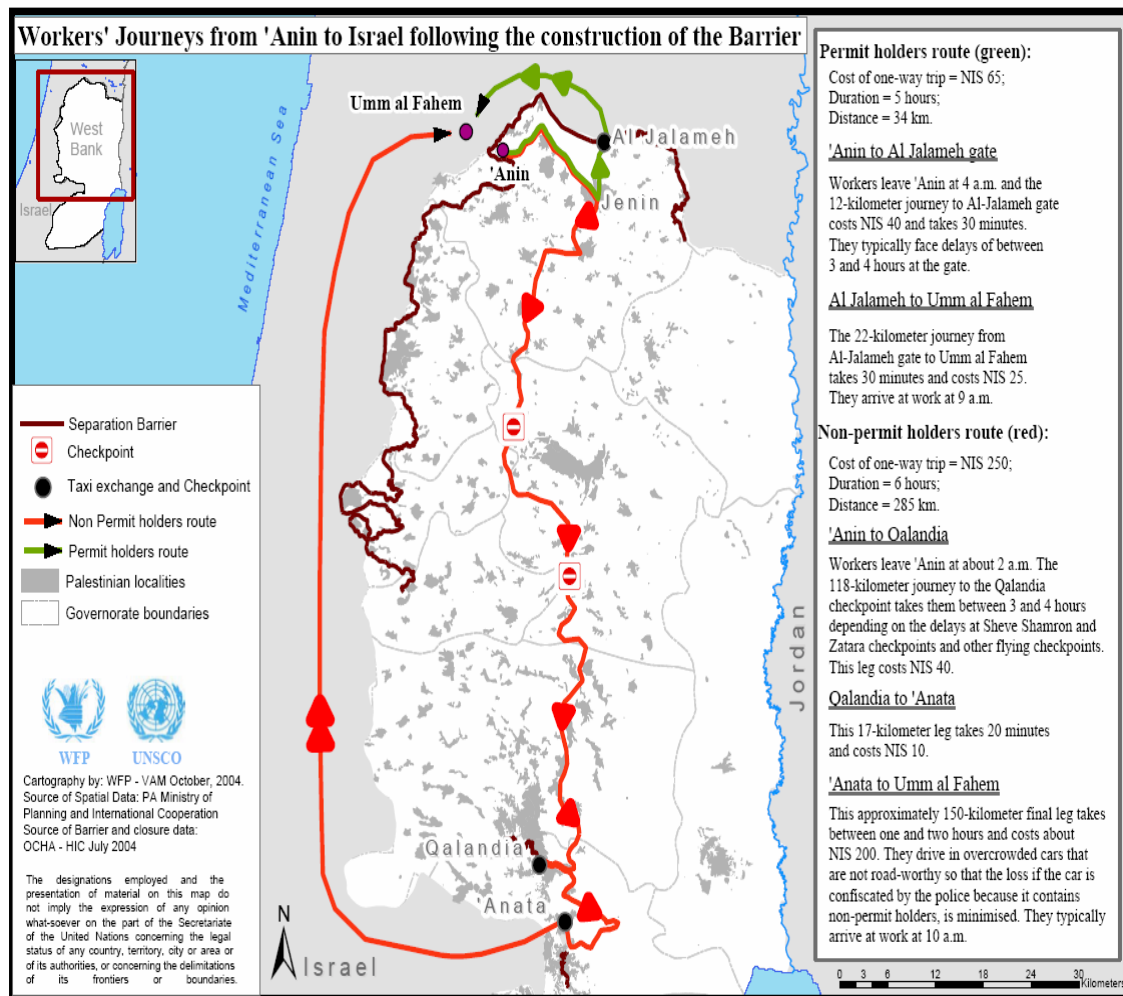
The labour flow through ‘Anin has completely stopped. Twenty-two workers with permits now enter Israel through Al-Jalameh gate in north-east Jenin district. Between 50 and 70 ‘Anin workers travel to Israel via Jerusalem because they are unable to get permits to enter Israel through Al-Jalameh gate. Workers stay in Umm Al Fahm, typically with Palestinian-Israeli relatives, for weeks at a time to pay the cost of transportation and earn enough money to return home. The average wage for a skilled construction worker is NIS 150 per day.

According to the village council, 1000 hectares of agricultural land were confiscated by the Israelis to construct the Barrier. This includes 700 hectares planted with almonds and olives. Residents are permitted to access their land for a total of two weeks a year through the ‘Anin agricultural gate (a different gate to Al-Jalameh gate used by workers) which opens for one week for the olive harvest in autumn, and one week for plowing in the spring. During these two weeks, this agricultural gate is supposed to open twice a day between 7 a.m. – 9 a.m. and between 5 p.m. - 7 p.m. but in practice, permit holders face delays at gates. Farmers apply for permits to access this land. For the week in spring 2004, the Palestinian District Coordination Office (DCO) reported that 35 residents applied for permits and 11 received them.

⁴². Focus group participants from Qusra (Nablus district) reported that approximately 150 workers entered Israel without permits and 50 entered with permits before September 2000. In 2004, 40 workers entered without permits and 20 workers entered with permits.

⁴³ Focus group participants reported that if caught in Israel without a permit, they are prohibited from entering Israel for five years, risk arrest and subject to a fine of between NIS 1,000 – 3,000 each.

Israeli laws and being fined.⁴⁴ Focus group participants emphasized that they would prefer to enter Israel with permits but that it was increasingly difficult to obtain them.⁴⁵



Most workers now stay in Israel for *extended periods*, of up to one month, because the daily commute is too expensive, time-consuming and risky. Focus group participants that did not possess permits to enter Israel but nevertheless still worked there, reported

⁴⁴ For details on the evolution of the Israeli entry permit regime, see A. Hass, Israel's closure policy: An ineffective strategy of containment and repression, *Journal of Palestine Studies*, Issue 123, Spring 2002.

⁴⁵ In 'Anin (Jenin district), focus group participants working in Israel's construction industry reported that the employer is required to apply for permits at the labour exchange bureau in Israel. The Israeli District Coordination Office (DCO) then considers permit applications. Respondents stated that between one half and two thirds of workers travel to Israel without permits, often following the rejection of their permit applications on security grounds. If the permits are approved, the employers pay NIS 767 per month to the labour exchange bureaus as processing fees and taxes. The employers typically deduct this fee from the workers' wages. For details on the problems faced Palestinians in obtaining permits and entry into Israel, see *The situation of workers in the occupied Arab territories, Report of the Director-General, Appendix*, International Labour Conference, 92nd session, International Labour Office, Geneva, 2004 p. 11.

sleeping in fields, greenhouses, factories and public places because there was nowhere else for them to stay in Israel. Not surprisingly, non-permit-holders are paid less than workers with permits⁴⁶. Non-permit-holders are vulnerable to other risks: some employers delay payment of wages, do not pay at all, or have reportedly organized police raids to ensure non-payment of wages.



Workers returning from Israel (Photo: John Tordai)

Self-employment in the community

Self-employment is an alternative which enables workers to avoid the obstacles faced by commuters but barely affords enough income to cover daily necessities.⁴⁷ A popular form of self-employment is to open a small shop or engage in petty trade. However, the sustainability of this strategy is in doubt due to accruing debts from customers, increased competition from other shops and falling demand when access to the urban centers improves.⁴⁸ A little better-off, are those who open small stone-cutting and aluminum workshops, capitalizing on skills and access to Israeli markets.

⁴⁶ For example, workers from Duma in Nablus described how Palestinians working in settlements without a permit are paid NIS 80-100 per day while workers with a permit are paid NIS 180-200 per day. Employers are often reluctant to apply for permits for Palestinian workers because permit holders are paid higher wages.

⁴⁷ Self-employment opportunities are most in evidence in communities with high employment inside the community ('B' type).

⁴⁸ For example, in Habla (Qalqilia district), the construction of a tunnel between the community and Qalqilia city in the second half of 2004 meant the customers resumed shopping in the city where prices and choice are better and many of the newly-opened shops closed.

Waged work in other parts of the West Bank

Work opportunities in the West Bank are difficult to come by and unattractive. The cost of transportation is high and workers often stay in the workplace for several weeks at a time. Work hours are said to be longer and pay lower than before the *Intifada*. Migrants from the northern West Bank working in Ramallah and Nablus complained about their isolation in the city.

The impact of changing work patterns on the household

Women and girls are shouldering the brunt of shifts in work patterns. Women's work burdens increase as they combine income-generating work with the challenges of ensuring the family's daily survival. Girls are taken out of school when money is in short supply and take on additional childcare and domestic responsibilities to support their working mothers. Focus groups also revealed that household relations have become strained when the breadwinner is working away from home for extended periods. Children's school performance was said to deteriorate, and community relations are undermined because migrants are no longer able to fulfill their community duties.

5 CONCLUSIONS AND RECOMMENDATIONS

The socio-economic changes experienced in the sampled West Bank rural and small town communities have implications for humanitarian and development policy. One dilemma that faces policy-makers is how to support people's adaptation strategies without reinforcing the process of economic fragmentation. On the one hand, respondents from rural and small town communities perceive their own adaptation and coping measures as positive developments, worthy of support from donors and development/humanitarian agencies. On the other hand, the PA, in conjunction with its international supporters, will want to avoid strengthening unsustainable structural changes in the belief that closure will disappear and access conditions, both internally and across borders will steadily improve.

This study recommends that the PA, the Palestinian private sector and the international community, with the necessary assistance of Israel, support a three-pronged approach by:

1. supporting community adaptation in an effort to alleviate some of the negative impact of impoverishment in the short-term;
2. initiating interventions that seek to ensure that the positive potential of community adaptation and the lessons learned of community vulnerability analysis are transformed and harnessed into a longer-term, sustainable development process; and
3. creating the conditions of an enabling environment in order to fully exploit the potential of a viable and sustainable Palestinian economy.

5.1 SHORT-TERM SUPPORT TO ALLEVIATE POVERTY IN RURAL COMMUNITIES

Rural and small town communities are marginalized by the concentration of assistance in urban areas and refugee camps. In accordance with the Oslo framework, donors predominantly financed projects in the main cities of the West Bank and Gaza that were under full Palestinian control, to the detriment of projects in rural areas, which have been largely neglected.⁴⁹

As such, greater attention needs to be given to the targeting of humanitarian assistance on the basis of assessed needs. Furthermore, the vulnerability analysis of different types of communities shows that, as a result of historical developments of labour practices, those communities that lack access to natural, human and monetary resources are the communities that are affected the most by the imposition of closure. As, in the short-term, little can be done to structurally enhance either the available natural resources or the skills base of the rural community populations, the most direct form of assistance that can be provided to rural communities concerns the injection of financial resources

⁴⁹ This urban focus inadvertently reinforced the process of Palestinian territorial fragmentation (See Anne Le More *The International Politics of Aid in the occupied Palestinian territory*, Humanitarian Practice Network, 2004. Available at: <http://www.odihpn.org/report.asp?ID=2669>). The World Bank has noted that people living in rural areas are less likely to receive emergency assistance (See World Bank *Four Years – Intifada, Closures and Palestinian Economic Crisis: An Assessment*, October 2004, p. 74).

through employment schemes. Within the current context, and taking into account the needs of rural communities, the most effective means for injecting cash into the rural West Bank is through the enhancement of local infrastructure such as water and wastewater networks, roads, electricity networks, etc. However, it should be noted that such infrastructure projects should take into account long-term needs rather than being restricted to small labour intensive ‘Cash for Work’ schemes.

The advantages of such infrastructure projects is that they tend to be labour intensive and thereby immediately address unemployment and inject cash into the local community. Secondly, the construction of basic infrastructure enhances the resource base that is a prerequisite for future sustainable development. Where possible, such projects should attempt to procure inputs locally. In addition, attention should be given to enhancing the role of women in the process in an effort to sustain the positive development of increased women’s participation in the Palestinian economy.

Two other areas where there is a potential for action, in the short-term, to support local coping efforts are the following:

Localization

This study found that localization consists of the expansion of trade, services and agriculture in rural and small town communities. It also found that some communities which expanded on account of the closure of the main urban hub – so-called ‘centers of localization’ – reduce in size when the closure of the urban hub eases. Nevertheless, only some of the newly opened shops and service providers cease operations. Others remain, having lost customers from surrounding communities who resume shopping for goods and services in the urban hub, but retaining customers from inside the community. The potentially positive aspects of localization, such as the emergence of new rural employment and incomes, and the local availability of goods and services could be supported as a step towards long-term, rural development. Specific initiatives that could be considered concern the provision of support by providing micro-credit and training to new start-up businesses inside rural communities. Moreover, action to promote some form of decentralization of certain services such as veterinary services to local hubs could be considered.

Mitigating Barrier effects

The study found that Barrier communities, particularly those located to the east of the Barrier, that relied almost entirely on Israel for employment and Palestinian-Israeli customers can no longer do so. In these communities, women are adapting to the loss of men’s incomes by taking on a breadwinner role, particularly in agriculture.

International assistance efforts could prioritize these communities for programmes which assist them to remain in their homes and lands in the “Seam Zone” between the Barrier and the Green Line. Additionally, assistance to these communities, especially those to the East of the Barrier, should focus on improving access to lands to counteract declining

productivity of abandoned land, on building human capital skills which could be employed both in the immediate and longer terms, and on creating incentives for traders such as credit schemes or subsidies, to purchase products from small farmers in Barrier communities.

5.2 HARNESSING LESSONS LEARNED AND THE POSITIVE POTENTIAL OF COMMUNITY ADAPTATION

Reducing community vulnerability

While the imposition of closure would have had a detrimental effect on any economy, this study clearly shows that the high degree of economic integration between the Palestinian and Israeli economies has left the majority of rural communities (particularly the A and C-type communities) vulnerable to economic shocks and unable to generate alternative sources of income. However, irrespective of future developments in the peace process, there is little doubt that a strong linkage between the Israeli and Palestinian economies will remain. Therefore, efforts aimed at reducing the economic vulnerability of rural populations, within the context of long-term strategic development plans, are needed to address the structural economic weaknesses in the rural West Bank. Such efforts would need to focus on the following areas:

- Diversifying economic activities;
- Skills development; and
- Enhancing the available resource base.

Economic diversification

This study found that communities with traditionally high internal employment rates (B-type communities) fared relatively better than other communities due to their diverse economic make-up and lower reliance on Israel. As such, efforts aimed at broadening the range of economic activity in rural communities are most likely to achieve long-term sustainable results. In light of current available capacity, the agricultural sector could be considered as a starting point for such a strategy.

While this report does not recommend a return to agriculture as the main element of a future Palestinian economy, the pervasiveness of agriculture as the main coping option would suggest that sustained efforts in this sector aimed at diversifying economic activities in the sector could aid in the creation of a more robust economic base that is less vulnerable to external shocks.

From a development perspective, communities need to move beyond subsistence agriculture towards working in agriculture for export and for manufacturing purposes. Moreover, agricultural capacities should be developed to create more sustainable work.

To that end, technical assistance programs focusing on agriculture should be undertaken with the aim of increasing productivity and improving the quality of products.⁵⁰

This could be achieved through the creation of rural community projects that are geared towards enhancing the value added of locally produced goods and produce. For instance, cucumbers are currently grown inside the West Bank and subsequently sold to Israeli companies for further processing. One option here could be the creation of small cucumber pickling facilities inside rural communities that would serve the West Bank market. Another example is the olive oil industry where technical assistance projects focused on appropriate cultivation, processing, packaging, storage, marketing, etc. could decrease production costs, increase productivity and improve quality making Palestinian olive oil more competitive on local and foreign markets. Furthermore, technical assistance and credit schemes to support the creation of related industries such as the production of olive oil based soaps and hair products could open up new markets.

If successful Such initiatives would reintroduce waged labour into rural communities and make farmers less vulnerable to price changes. Similarly, there is some potential for the establishment of Palestinian dairy production enterprises that would use local inputs and thereby providing a more predictable market for local livestock farmers.

Skills Development

As a result of differences in work opportunities and wages available in Israel and the West Bank, young Palestinian men tended to leave their education to work in Israel as low-skilled wage workers. These workers are now vulnerable as they cannot find alternative work in the West Bank. Supportive measures would target the unemployed with vocational training and skills development programs, alongside micro credit projects to help them start-up new businesses. This is particularly important in communities that had high employment in Israel before 2000, where employment has now collapsed and where skills and infrastructure remain scarce.⁵¹

Enhancing the resource base

As noted above, the lacking resource base particularly in A and C-type communities limited local populations' ability to create alternative sources of income. Therefore, a significant effort to upgrade and modernize the road system, water and waste water networks and electricity grids is a prerequisite for maximizing outputs and will allow for a greater diversification of economic activity at the local level.

⁵⁰ Also recognizing the potential of agriculture, USAID is launching a 3-year programme to support the private Palestinian agricultural and agribusiness sector. See USAID/West Bank Gaza, "Palestinian Agribusiness Partnership Activity (PAPA) West Bank and Gaza: Scope of Work for Task Order Proposal Request No. 294-2005-003", 1 February 2005).

⁵¹ The International Labour Organisation recommends the "...reform of vocational training and higher education in order to strengthen science and technology and the linkages with economic development and the labor market" (ILO, *The Situation of workers in the Occupied Arab Territories*, 2004, p. 37).

Enhancing the legislative and regulatory frameworks that govern economic activity is in this regard also considered a necessary resource that requires upgrading and strengthening. For instance the implementation of the law on investment promotion could attract new local and international investors while setting and applying higher quality standards could enhance marketability and competitiveness of Palestinian products.

Women's participation in the labour force

While few and far between, one of the more positive effects of economic fragmentation has been the increase in women's participation in economic activity. This study found that women express a positive attitude towards work and want to continue working. However, women's work tends to be poorly-paid or unpaid and can have an adverse impact on girls' education, as some working women take their daughters out of school to fulfill domestic chores. Measures that tackle wage inequality⁵² will encourage women to continue working and improve the status of women in the labour force. These interventions should target (but not be restricted to) communities that experienced high unemployment before 2000. Additional measures would focus on protecting girls' education, provision of child-care centers for working women and on providing credit, training and other incentives for women to engage more prominently in agriculture and small-enterprise. The marketability of women's work, such as embroidery, could be increased by developing new designs and products. The promotion of women as equal members of the labour force and as business entrepreneurs could further be supported through the public education system and community awareness campaigns.

5.3 CREATING THE ENABLING ENVIRONMENT

The recent World Bank report on Israeli disengagement and Palestinian economic prospects⁵³ clearly sets out the steps that need to be taken by various stakeholders as prerequisites for arriving at a situation where there could be potential for Palestinian economic recovery. On the basis of the study's findings, this section will highlight some of the areas where the World Bank proposed steps will have the most direct impact on rural community economic prospects.

Access to Israeli markets

This study described the impact of the loss of Palestinian-Israeli customers for West Bank rural and small town communities. Yet, where opportunities for continuing trade with Israel exist, they play a positive economic role in rural and small town communities. The study found that some of the only rural enterprises that continue to employ relatively

⁵² Addressing wage inequality is one of the priorities for 2005-2008 laid out by the Ministry of Women's Affairs. (Palestinian Women and Development Priorities, W/ESCWA/SDD/2004/WG.4/8, 20 September 2004).

⁵³ *Stagnation of Revival?*, World Bank, December 1, 2004

large numbers of workers are those that still have access to Israeli goods markets such as stone-cutting, cucumbers and textiles.

Recognizing the importance of the Israeli market for Palestinian goods, the re-establishment of a predictable flow of goods, and increasing in volume, across the borders between Israel and the Palestinian territory is one of the keys to restoring Palestinian economic vitality. This would however entail a significant upgrade in the management and operations of the terminals that currently exist and the creation of additional border terminals. Further action that could be considered in this regard is the enhanced use of new technologies to process goods and by increasing the number of permits given to traders and businessmen so that contacts between Israeli and Palestinian economic actors can be enhanced.

Access to Employment in Israel

Work in Israel is still perceived as one of the most attractive job options, despite the risks involved for those that have no permit and poor working conditions. At the same time, the continued movement of non-permit holders into Israel indicates their continued relevance to the business of Israeli employers. The current Israeli plans to halt all Palestinian labour flows to Israel by 2008⁵⁴ will mean that the already-high unemployment levels for Palestinians living in the West Bank are likely to increase further. Even if internal closure is eased, the West Bank economy cannot, in the short- to medium-term meet increasing demands for jobs coming from those who lost work in Israel, increasing numbers of women joining the labour force and the growing working age population.

As such, this study strongly backs the World Bank recommendations that “Israel at least maintain current Palestinian labour access over the next several years. Doing so would involve replacing illegal labour with additional permitted labour if the Barrier is completed in 2005. If illegal work is thereby eliminated, Israel’s security clearance of Palestinian workers would be much more assured than today”.⁵⁵

Access to other import and export markets

Reliance on a single trading partner exposes an economy to risk. The Palestinian economy needs to develop other export markets besides Israel. This study found that buying Palestinian inputs instead of importing Israeli ones is a positive adaptation strategy, indicating a process towards building greater self-sufficiency. Enhancing access to other import and export markets will therefore enhance options for economic diversification.

⁵⁴ *Economic Aspects of the Israeli Disengagement Plan*: Meeting with the World Bank, July 21st, 2004 (power point presentation). See also the text of the Disengagement Plan released by the Israeli Prime Minister’s Office on 6 June 2004.

⁵⁵ *Stagnation or Revival?*, p. 15.

However, care should be given to address some of the problems that currently hamper the prospects of increasing economic cooperation with other, particularly Arab, countries. These include:

- wage distortions (i.e. higher Palestinian wages due to links with the Israeli market) increase production costs which is reflected in the final price of goods;
- the lack of Palestinian infrastructure (e.g. ports and airports) to facilitate trade;
- limitations placed by Arab countries' customs procedures and travel regulations that hamper Palestinian businesses; and
- rules of origin certification in the Palestinian territory is not fully developed with the result that businesses cannot demonstrate that Palestinian produced goods used minimal Israeli inputs.⁵⁶

In addition to efforts geared towards removing some of the obstacles to foreign trade listed above such as full implementation of the Arab League decision on tax and tariff exemptions for Palestinian goods⁵⁷, other specific actions in this area could include:

- Development of a database of market standards of agricultural and manufactured products that includes standards in countries that trade with Palestinians on favourable terms;
- Raise awareness about external market standards among farmers and manufacturers and provide technical assistance programs to train them on meeting these standards; and
- Encourage the transfer of expertise from private sector actors in other countries through technical co-operation programmes.⁵⁸

Of course, it should be understood that similar to enhancing exports to the Israeli market, the success of any action geared towards enhancing market access abroad largely depends on ongoing efforts aimed at facilitating the movement of goods across the West Bank borders.

Access to markets within the oPt

Difficulties accessing markets in the Palestinian territory hinder the operation of the Palestinian economy. Yet, this study found that traders and middlemen can play a positive role in ensuring that local produce reaches markets. While a small number of fortunate traders prosper under current conditions, the majority of producers and traders

⁵⁶ M. Nasser, *Arab Private Sector Support to the Palestinian Private Sector*, Working paper presented to the Arab Funds and Organisations Meeting (Arabic), Cairo, 7-8 September, 2004.

⁵⁷ This decision, which was mentioned in three Arab League summits in 2001 (Cairo), 2002 (Amman) and 2003 (Beirut), exempts Palestinian exports from customs duties. This decision has been intermittently applied by some Arab countries (ESCWA, *Re-integrating the Palestinian economy with its Periphery*, E/ESCWA/SDD/2004/WG.4/4, 7 July 2004, p. 23).

⁵⁸ The *Final Report* of The Arab-International on Rehabilitation and Development in oPt held in Beirut (11-14 October 2004) makes a number of recommendations on how to enhance Palestinian competitiveness through partnerships with the Arab private sector (See Recommendations section on p. 36 – 37).

have reduced their scale of activity. If, as is stated in the Disengagement Plan,⁵⁹ internal closure will be eased, this will have the positive outcome of lowering the transactions costs incurred in moving goods.⁶⁰ Interventions should ensure that more traders and producers will be able to benefit from lower transaction costs and improve their market access. In this regard, efforts to enhance movement between the West Bank and the Gaza Strip are also needed.

An Economic Vision for Palestine

Finally, while creating an enabling environment is crucial to the sustainable development of a Palestinian economy, including for rural communities, what is equally important is the development of a clear vision and accompanying long-term strategy on how to use this enabling environment.

⁵⁹ Prime Minister's Office, Communications Department, Addendum A: *Revised Disengagement Plan - Main Principles*, p.3.

⁶⁰ Easing internal closure reduces transaction costs through reduced time lost at checkpoints and back-to-back stations, reduced need for multiple vehicles for transport, reduced need for use of secondary or tertiary roads, etc.

APPENDICES

APPENDIX 1: METHODOLOGY

Research objectives: The research sought to provide a holistic picture of socio-economic change in rural West Bank communities and to explain why this change is happening. In turn, the research is intended to inform humanitarian and development policy in the region.

Research tools: Research for this study was undertaken in thirty rural communities and small towns in the West Bank districts of Ramallah, Nablus, Jenin, Tulkarm and Qalqilia over a period of six months in May – October 2004. Fieldwork involved a combination of interviews and focus groups conducted in four stages that collected information about 1) the socio-economic change in the community, 2) the main productive sectors in the community, 3) the trade of locally-produced goods, and 4) workers' behaviour.

Investigative tools

Investigative tools	Respondents	Total
Community-level group interview	Male and Female community leaders	30
Productive sector group interview	Agricultural farmers Livestock farmers Manufacturers Total	37 22 16 75
Interview on the trade in locally-produced goods	Wholesale and retail traders and middlemen	34
Workers' focus group	Women Workers outside the community Migrant workers Workers in the Community Unemployed Total	5 7 7 12 7 38

Sample communities were identified through an analysis of Palestinian Central Bureau of Statistics (PCBS) community-level statistical data collected throughout the West Bank in 1997. This data provided a baseline against which socio-economic change was assessed. The communities were categorised according to three employment types - high unemployment (A-type); high employment within the community (B-type) and high employment outside the community (C-type).

Two additional sub-categories of community were added (D and E) not because of their pre-crisis employment characteristics but because of more recent changes that resulted from Israel's closure policy. These were Barrier-affected communities and rural 'centres of localization'. The community types are defined as follows:

Community Types: The definition of the five community types used in the study is as follows:

A: *High unemployment:* Less than 20% of the community population was employed in 1997;

- B: *High employment inside the community:* Relatively low unemployment and diverse internal employment before in 1997. There were at least two economic sectors in addition to agriculture employing people inside the community and more than 20% of the community population was employed;
- C: *High employment, mostly in Israel:* Relatively low unemployment with almost all employment outside of the community in 1997. 95% of all employed worked outside the community in 1997 and overall, more than 20% of the population was employed;
- D: *Barrier-affected communities:* Communities located to the west of the Barrier, to the east of the Barrier separated from their land on the other side, and communities encircled by the Barrier in 2004;
- E: *Centres of localization:* Communities that in 2004 to some degree substitute the urban centre in the provision of some jobs, goods and services for surrounding clusters of communities and experience the relocation of businesses from cities.

The study uses the 'Employed as a proportion of Total Population' (EPTP) rather than the employment level (defined as the number employed as a proportion of the labour force) because it shows the dependency of the whole population on employed persons.

APPENDIX 2: ECONOMIC CLASSIFICATION OF COMMUNITIES IN 1997 AND 2004

Community	Employment Classification in 1997	Employment Classification in 2004
<i>Ramallah</i>		
Rantis	A	A (D)
Kufr Malek	B	A
Bir-Zeit	B	B
Ni'lin	B	A (D)
Beduen Al-Mu'rrajat	C	A
Jifna	B	B
Ein Yabrud	A	A
Budrus	B	A
Al-Mughayyer	C	A
Deir Nitham	A	A
<i>Nablus</i>		
Deir Sharaf	B	A
Huwara	A	A
Beita	B	B (E)
Qusra	A	A
Asira Shamaliye	B	B
Frush Beit Dajan	C	A
Zeita Jamma'in	A	A
Duma	C	A
<i>Jenin</i>		
Az-Zababida	B	B
Anin	B	A (D)
Barta'a a-ash-Sharqiya	A	A (D,E)
Beit Qad	C	A
Arrabuna	C	A (D)
Sir	A	A
Al-Hashimiya	A	A
Al-Jalama	B	B
Qabatiya	B	B (E)
Jaba'	B	B
<i>Qalqilia</i>		
Habla (Qalqilia)	B	A (D)
<i>Tulkarm</i>		
Nazlat 'Isa	B	A (D)

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A: High unemployment

B: High employment, mostly inside the community

C: High employment, mostly in Israel

D: Barrier-affected communities

E: Centres of localization

APPENDIX 3: ECONOMIC LIFE IN THE RURAL WEST BANK PRE-INTIFADA

Table 1: Distribution of employed from rural West Bank by place of work

	1999
West Bank	68.9%
Israel	30.8%
Other	0.3%

Table 2: Distribution of rural West Bank wage workers in the West Bank by employer

	1999
PA	17.6%
International, UN and Nonprofit Organizations	2.1%
Private Sector	37.0%
Israel	43.3%

Table 3: Distribution of employed from the rural West Bank by sector and place of work

	1999	
	Israel	West Bank
Agriculture, Hunting, Forestry & Fishing	9.0%	22.9%
Mining, Quarrying & Manufacturing	10.6%	17.5%
Construction	63.2%	16.5%
Commerce, Hotels & Restaurants	11.4%	13.4%
Transportation, Storage & Communication	0.7%	5.5%
Services & Other Branches	5.1%	24.2%

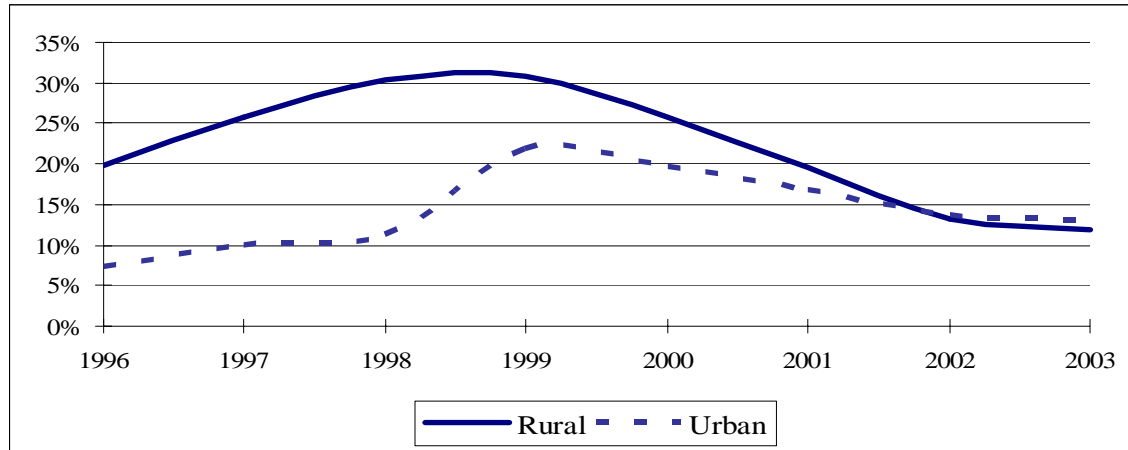
Table 4: Distribution of employed from the rural West Bank by employment status

	1999
Employer	4.8%
Self Employed	18.5%
Wage Employee	66.1%
Unpaid Family Member	10.7%

Source: PCBS unpublished labour force data (1999)

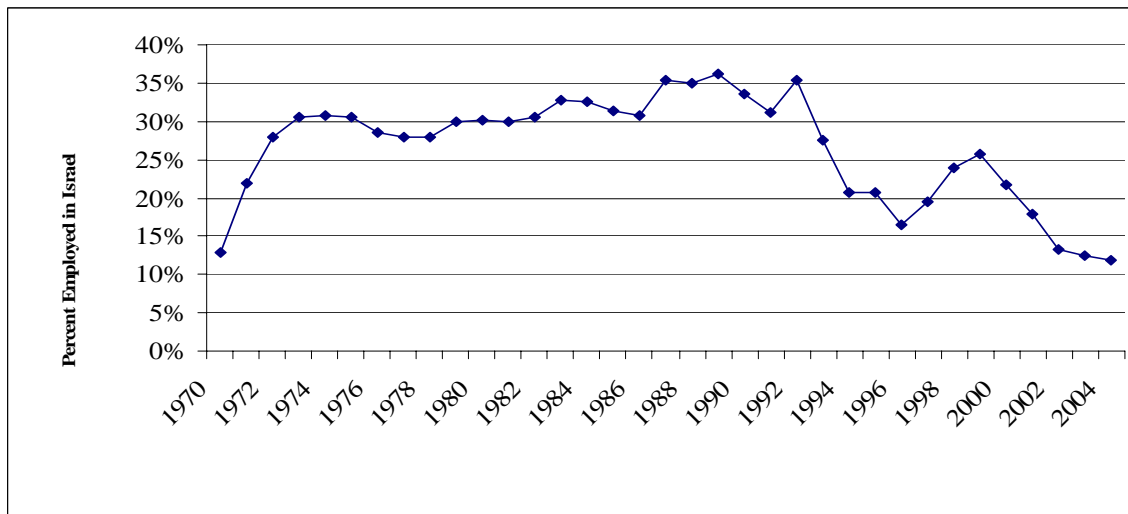
APPENDIX 4: DECLINE IN EMPLOYMENT

Figure 1: Percentage of West Bank Palestinians from urban areas employed in Israel compared with percentage of West Bank Palestinians from rural areas employed in Israelⁱ



Source: PCBS labour force data, (1997 – 2003)

Figure 2: Percent of Palestinians from the West Bank employed in Israel



Source: Palestine Economic Policy Research Institute: Analysis of Palestinian Labour Supply and Demand, by B. Makhool, December 2000; PCBS labour force surveys.

Table 1: Average daily wage in north and central West Bank in 2000 and 2003 (US \$)

	2000	2003
Average Agricultural Wage northern West Bank	16.6	13.3
Average All Activities Wage northern West Bank	18.6	13.3
Average Agricultural Wage central West Bank	16.7	14.8
Average All Activities Wage central West Bank	22.5	22.9

Source: PCBS unpublished data

APPENDIX 5: THE CHANGING NATURE OF WORK

Table 1: Percent employed by employment status in rural Jenin, Nablus and Ramallah

	Employers and Self Employed		Wage Employee		Unpaid Family Members	
	1999	2003	1999	2003	1999	2003
Rural Jenin	28.0%	41.8%	64.0%	40.6%	8.0%	17.6%
Rural Nablus	22.4%	30.6%	62.7%	53.7%	14.9%	15.7%
Rural Ramallah	23.6%	27.0%	71.6%	65.3%	4.7%	7.7%

Source: PCBS unpublished Labour force data

Table 2: Employment by economic branch of total employed in rural Jenin, Nablus and Ramallah

	Agriculture		Manufacturing		Construction		Commerce	
	Q4-99	Q4-03	Q4-99	Q4-03	Q4-99	Q4-03	Q4-99	Q4-03
Jenin								
Same district	14.6%	45.0%	7.1%	3.0%	6.5%	4.9%	8.6%	11.6%
Other districts	0.6%	0.0%	0.6%	2.0%	0.8%	0.4%	0.6%	0.5%
ISI	3.9%	1.4%	3.5%	0.3%	27.4%	2.7%	6.1%	0.9%
Nablus								
Same district	23.7%	25.0%	11.2%	9.6%	8.7%	11.3%	8.6%	13.4%
Other districts	0.0%	0.0%	2.1%	0.0%	0.9%	6.2%	0.9%	1.8%
ISI	2.3%	0.0%	2.5%	0.8%	11.5%	6.0%	1.0%	0.8%
Ramallah								
Same district	8.3%	16.6%	18.0%	17.1%	20.1%	13.3%	8.4%	8.6%
Other districts	0.0%	0.0%	1.1%	0.0%	0.8%	2.1%	2.0%	0.7%
ISI	1.4%	1.8%	1.9%	1.2%	9.6%	4.3%	2.0%	0.0%

	Transport		Other		Total	
	Q4-99	Q4-03	Q4-99	Q4-03	Q4-99	Q4-03
Jenin						
Same district	3.5%	5.2%	11.9%	18.8%	52.1%	88.6%
Other districts	0.7%	0.0%	3.0%	2.5%	6.3%	5.4%
ISI	0.0%	0.0%	0.7%	0.7%	41.6%	6.0%
Nablus						
Same district	4.9%	3.8%	15.9%	15.9%	73.1%	78.9%
Other districts	0.7%	0.4%	4.7%	4.8%	9.3%	13.2%
ISI	0.0%	0.0%	0.3%	0.3%	17.6%	7.9%
Ramallah						
Same district	4.3%	5.0%	19.9%	25.4%	79.0%	86.0%
Other districts	0.0%	0.4%	1.1%	3.2%	5.0%	6.4%
ISI	0.0%	0.0%	1.0%	0.3%	16.0%	7.6%

Source: PCBS unpublished labour force data

Table 3: Distribution of employed from Rural Jenin, Nablus and Ramallah by employment status and sector

	Agriculture		Manufacturing		Construction	
	Q4-99	Q4-03	Q4-99	Q4-03	Q4-99	Q4-03
Employers and Self Employed	42.7%	49.6%	19.5%	25.60%	15.2%	25.8%
Wage Worker	19.6%	7.2%	76.4%	71.3%	83.1%	71.8%
Unpaid family member	37.7%	43.2%	4.1%	3.1%	1.7%	2.4%

	Commerce-Hotels		Transport-storage		Other	
	Q4-99	Q4-03	Q4-99	Q4-03	Q4-99	Q4-03
Employers and Self Employed	42.80%	55.70%	60.60%	73.50%	4.90%	5.1%
Wage Worker	48.1%	29.8%	37.4%	25.9%	95.1%	94.5%
Unpaid family member	9.1%	14.5%	2.0%	0.6%	0.0%	0.4%

Source: PCBS unpublished labour force data

APPENDIX 6: THE INTEGRATION OF WEST BANK RURAL AND SMALL TOWN COMMUNITIES INTO THE ISRAELI ECONOMY

Since 1967, Israeli policies and regulations have adversely affected Palestinian economic development. Following the cessation of hostilities in 1967, the Palestinian territory was placed under military rule and Israel issued a series of Military Orders (MOs) and regulations. Between 1967 and 1992, 1,300 MOs were issued in the West Bank alone.ⁱⁱ Analysis by the World Bank shows that approximately one third of the MOs pertain to economic legislation,ⁱⁱⁱ regulating economic activity in agriculture, land ownership, transfer, use and planning; spatial development; infrastructure development; utilities; water resources; tariffs and taxation; and business and professional licensing. The World Bank concludes that although some of these regulations had a positive impact (e.g. auto-safety measures and improved conditions for women), “In many cases, however, the MOs and the associated regulatory regime have meant a comparative disadvantage for the Palestinians in the costs of doing business and competing in the Israeli market”.

The Palestinian economy became more integrated with and dependent on that of Israel throughout the last quarter of the 20th century. In principle, this integration could have had both positive and negative consequences. Discussing the advantages and disadvantages of a small, weak economy being linked to a larger, stronger one, Fadl Naqib, a Palestinian economist acknowledged, “[a] favourable repercussion is an increased demand for the products of the small economy, a diffusion of technology and knowledge, as well as other spread effects, resulting from geographical proximity to a large market leading to subcontracting, joint ventures and coordination in tourism and other services. Unfavourable repercussion arises from the disappearance of many industries in the small economy, its confinement to producing low-skill goods and the emigration of a sizeable segment of the labour force to the neighbouring country, as well as to other countries.”^{iv}

Sébastien Dessus, senior economist at the World Bank, argues that “...the forced integration of WBG with Israel did not bring the dynamic gains that could have been expected, notably in terms of transfers of technology and greater access to export markets”.^v

Analysts have shown how Palestinian integration allowed Israel access to the resources of the Palestinian territory.^{vi} Since Israel’s occupation of the Palestinian territory, Israeli goods had unfettered access to Palestinian markets while Palestinian goods faced permit restrictions and administrative hurdles.^{vii} For example, trade in agricultural products between the oPt and Israel “...is governed by unconstrained entry of Israeli products into the OT; reciprocal entry is selective, and based on permits issued by the Israeli authorities”.^{viii}

Israel legalized the integration of cheap Palestinian labour into its own workforce. By the end of 1968, Israel had established 12 labour exchanges in the West Bank and Gaza resulting in an increase in workers crossing into Israel. During the 1970s and 1980s almost one third of Palestinian employment was in Israeli jobs and Palestinian

unemployment was modest.^{ix} Although the jobs available in Israel were largely in the poorest sectors Palestinians earned more than they would in the oPt.^x By 1988, whole rural communities came to depend entirely on work in Israel.^{xi}

Positive impacts of employment in Israel included improved income distribution given the bias of the Israeli labour market towards unskilled workers from low-income groups in rural communities. However, the draw to work in Israel for higher wages encouraged Palestinians to forego education, thereby deskilling the Palestinian population and stifling the development of local job opportunities.^{xii} The fact that a portion of the Palestinian labour force seeks jobs in Israel rather than accepting less remunerative work in the West Bank raises the wage in the Palestinian labour market, reducing the level of domestic employment.^{xiii} The appreciation of local wages deterred Palestinian entrepreneurs from hiring workers or investing in labour intensive projects, thereby weakening the capacity of the West Bank economy to absorb its labour force.^{xiv}

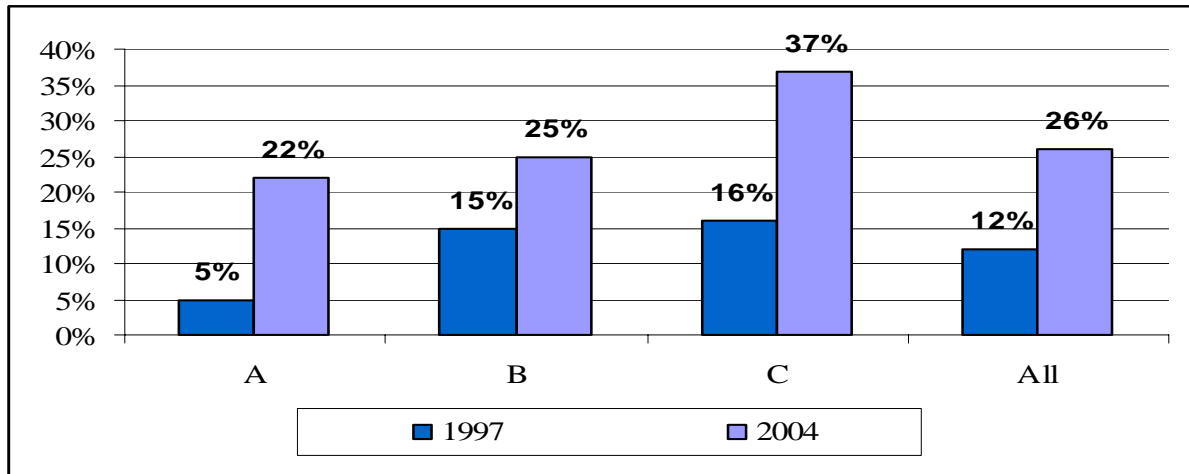
Before Israeli occupation in 1967, agriculture played a more important role in the Palestinian economy. Statistics indicate that 51% of the West Bank labour force worked in agriculture in 1945, 40% in 1961, 26% in 1980 and 16% in 1997.^{xv} When Palestinian employment in Israel increased in the early 1970s, employment in agriculture in the West Bank decreased. The World Bank states, “Following the occupation, major changes took place; OT workers were allowed to seek employment across the Green Line, which ultimately created a massive drain of people out of the agriculture sector”.^{xvi} Furthermore, the agricultural base of the rural West Bank households shrunk and the range of crops produced was reduced to essentials such as olive oil and animal fodder.^{xvii} Since the start of the *intifada*, this trend has reversed with Palestinians returning to subsistence agriculture (See Figure below).



Source: UNSCO calculations based on data from the Israeli Central Bureau of Statistics, *Statistical Abstract of Israel* (1970-1993) and PCBS Labour Force surveys (1993 - 2003).

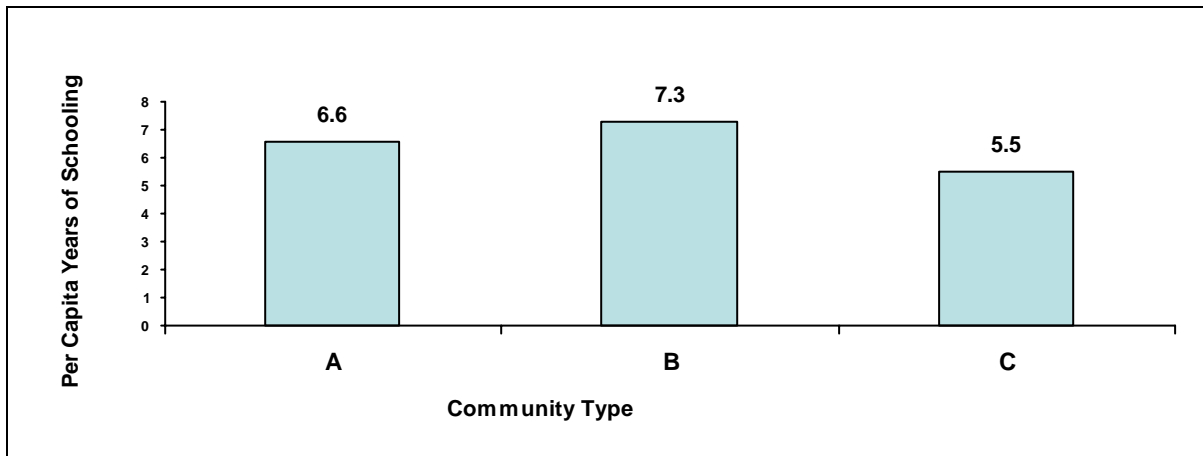
APPENDIX 7: COMPARING COMMUNITY TYPES

Figure 1: Women employed as a proportion of total employed by community type



Source: 'Fragmented Economies' data

Figure 2: Level of Education in Different Community Types in 1997



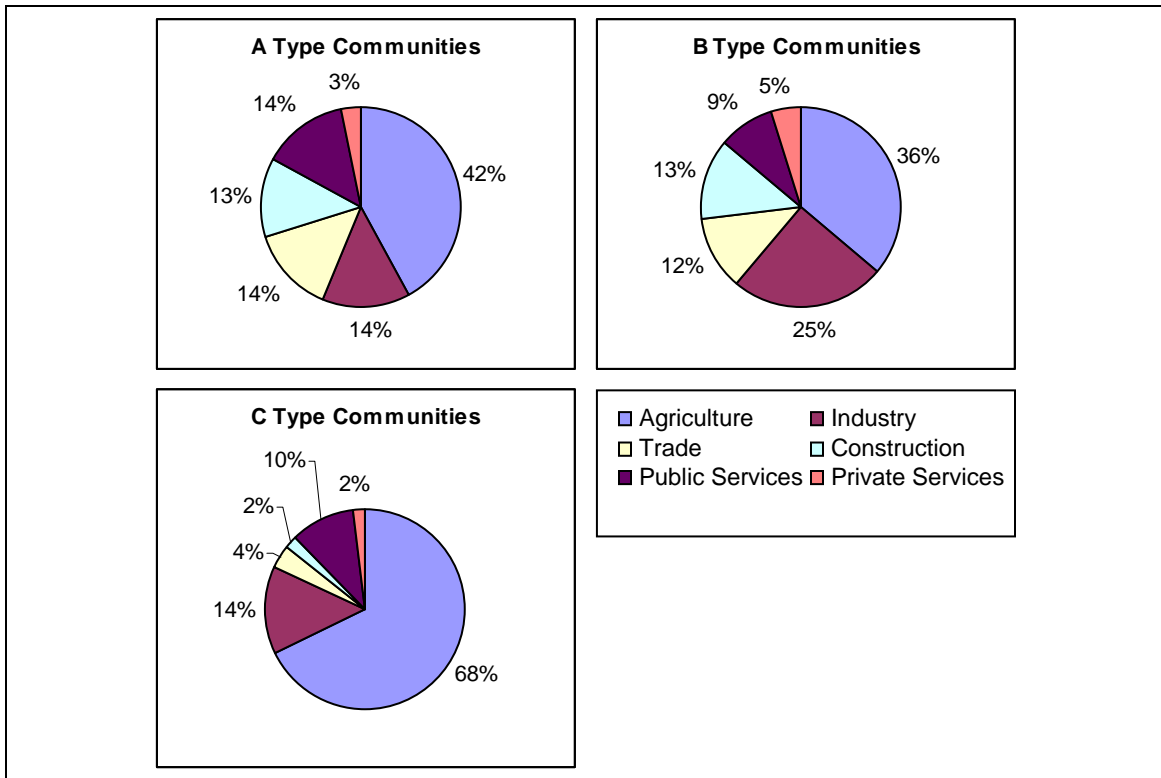
Source: PCBS 1997 Census data

Table 1: Average water infrastructure and service availability by community type in 1997

Community type	% of households with public system of piped water	% of households with private system of piped water	% of households with no piped water	Schools	Clinics
A	60.19%	31.78%	18.53%	2	1
B	80%	17%	2%	3	2
C	0%	49%	51%	1	0

Source: PCBS 1997 Population and Establishments Census data

Figure 3: Distribution of economic sectors by community type in 2004



Source: UNSCO 'Fragmented Economies' data

APPENDIX 8: THE EFFECT OF THE BARRIER ON EMPLOYMENT

Table 1: Unemployment in the West Bank by location in relation to the Barrier

	Unemployment rate (1997)	Unemployment rate (2003)
Communities located east of Barrier	15%	20%
Communities located west of Barrier	13%	15%
Average West Bank	15%	21%

Source: PCBS 1997 Population and Establishments Census; Labour Force Survey (Q4-2003) (using standard unemployment rate)

APPENDIX 9: THE LOCALIZATION OF TRADE

Table 1: Changes in the number of shops in rural and small town communities

Shop type	2004	Pre-intifada	change
Grocery shops	939	836	103
Freight transportation	212	150	62
House equipment	72	43	29
Vehicle repairs	134	108	26
Day care	67	50	17
Restaurants & fast food vendors	76	59	17
Medicine & medical products	32	19	13
Sales of shoes	31	18	13
Seeds & fertilizers	26	14	12
Fuel	22	14	8
Liquid propene gas	54	46	8
Vet services	14	6	8
Construction materials	68	63	5
Money changers	9	5	4
Diary products	22	20	2
Administrative services	23	22	1
Furniture	26	31	-5
Fresh meat	83	92	-9
Fruit & vegetables	80	99	-19

Source: UNSCO 'Fragmented Economies' data

Table 2: Change in the number of shops by community

Community	Change in the number of shops	Community	Change in the number of shops
Nazlat 'Isa	-203	Beit-Qad	4
Al-Jalama	-84	Kafr Malik	5
'Anin	-67	Habla	6
Huwara	-57	Al Mughayer	12
Deir Sharaf	-17	Bir-Zeit	14
Ni'lin	-17	'Ein Yabrud	21
Budrus	-3	Rantis	24
Sir	-3	Qusra	41
Frush Beit Dajan	-1	Jaba'	62
Zeita Jama'in	-1	Az-Zababdeh	64
Jifna	-1	Barta'a sharqiya	90
Deir Nitham	0	Qabatiya	116
Duma	3	'Asira shamaliya	119
Arrabuna	4	Beita	193

Source: UNSCO 'Fragmented Economies' data

APPENDIX 10: POVERTY

Table 1: Poverty rates according to monthly consumption patterns of households by type of community (oPt) in 2003

Community Type	Poverty level
Urban	32%
Rural	38.5%
Refugee camp	41.2%
Total	35.5%

Source: PCBS Poverty Survey in the Palestinian Territory (December 2003)

Table 2: Poverty rates according to monthly consumption patterns of households by region in 2003

Region	Poverty level
West Bank – north	43%
West Bank – middle	14.4%
West Bank – south	38.5%
oPt total	35.5%

Source: PCBS Poverty Survey in the Palestinian Territory (December 2003)

APPENDIX 11: INDUSTRY

Table 1: Distribution of rural Jenin, Nablus and Ramallah workers employed in the West Bank private sector by economic sector

Economic sector	1999	2003
Agriculture	29.6%	34.4%
Manufacturing	23.5%	17.9%
Construction	22.3%	17.9%
Commerce-Hotels	16.9%	22.5%
Transport-storage	7.7%	7.3%

Source: PCBS unpublished labour force data

Table 2: Change in employment levels in main industries in sampled communities in absolute numbers of workers and percentage change

Activity	Pre-Intifada	2004	Change
Metal and wood workshops	74	27	-63.5%
Stone carvings	420	195	-53.6%
Textiles workshops	3081	771	-75.0%
Stone Cutting	1650	910	-44.8%
Total	5225	1903	-63.6%
Community Type	1997	2004	Change
A	450	207	-54.0%
B	1009	383	-62.0%
D	2277	481	-78.9%
E	1489	832	-44.1%

Source: UNSCO 'Fragmented Economies' data

APPENDIX 12: AGRICULTURE

Table 1: Role of agriculture in the sampled communities where it is the main employer

Community with agriculture as largest employer (sorted)	% of households in the community engaged in agriculture as main form of employment	% households engaged in agriculture for subsistence only	Number of crops (crops sorted in order of importance)	Proportion of sold agricultural goods sold outside the community in 2004	Agricultural markets pre-intifada
Frush Beit Dajan	75	0	3+ (citrus, vegetables, cereals)	All (Fara' Beita, surrounding com., Hebron, Bethlehem)	Nablus, Ramallah, Jerusalem, Bethlehem
Arabbuna	54	67	3+ (cereals, olives, vegetables)	Most (Qabatiya)	Palestinian-Israeli communities (75%), Jenin
Sir	100	71	3+ (olive, cereals, chickpeas)	All (surrounding communities)	urban centre and surrounding communities
Deir Nitham	92	80	2 (olive, cereals)	Little (surrounding com., urban centre)	Nablus, Hebron and Gaza
Jaba'	15	66	1 (olive)	All (Hebron, Ramallah)	Palestinian-Israeli communities, Gaza, Gulf, WB
Budrus	63	50	1 (cactus)	Most (urban centre)	Gaza, Nablus, Israel
Rantis	100	84	2 (olive, vegetables)	Little (Hebron, Israel, Gaza)	Hebron, Gaza, Nablus, Jordan, Palestinian-Israeli communities
'Anin	25	54	3+ (olive, almonds, cereals)	Most (surrounding com., urban centre,	Palestinian-Israeli communities
Qabatiya	60	25	3+ (vegetables, olives, cereals)	Most (Qabatiya, Tubas)	
Qusra	22	97.5	1 (olive)	Little (Ramallah, Hebron, Bethlehem, MoA)	Jordan and the Gulf
Habla	17	5	2 (vegetables, citrus,)	Most (Beita)	Israel (sub-contracting) and Palestinian-Israeli communities
Al-Jalame	50	0	2 (vegetables, cereals)	All (Qabatiya, Israel (25%))	Palestinian-Israeli communities (100%)
Beit Qad	100	0	2 (cereals, onion)	Most (Qabatiya)	Jenin
Nazlat 'Isa	9	71	3+ (vegetables,	Little (urban	Palestinian-Israeli

			cereals, olives)	centre)	communities
'Ein Yabrud	44	87.5	2 (olives, vegetables)	Little (urban centre, surrounding com.)	Gaza, Hebron, Jordan
Zeita Jama'in	6	60	1 (olives)	Little	Loss of Palestinian-Israeli communities, Hebron and Gaza
Jifna	43	90	3+ (apricots, nuts, olives)	Most (surrounding com., urban centre)	
Al Mughayir	9	93	2 (cereals, olives)	Little (surrounding com)	Ramallah

Source: UNSCO 'Fragmented Economies' data

Table 2: Change in number of people engaged in vegetable farming

Community	Pre-intifada	2004
Small Size		
Qabatya	105	220
Jalameh	300	450
Arrabuneh	10	50
Frush Beit Dajan	30	40
Habla ^{xviii}	2000	1200
Large Size		
Jalameh	700	450
Arrabuneh	22	25
Frush Beit Dajan	70	80
Habla	1000	600

Source: UNSCO 'Fragmented Economies' data

Table 3: Change in productivity levels of vegetable farming

	1999/2000	2000/2001	2001/2002	2002/2003
Area (in dunums)	738621	734171	740161	735941
Production (in tonnes)	549455	542720	557473	567732
Productivity (kg per dunum)	3160	3129	3203	3270

Source: PCBS Annual Agriculture Statistics, various years

APPENDIX 13: LIVESTOCK

Table 1: Investment in livestock and agriculture

	Number of Cows, Sheep's and Goats			Total Planted Area (in donums)		
	2000	2002	2003	2000	2002	2003
Jenin	91,441	149,230	161,795	361,500	363,451	350,223
Nablus	85,675	111,579	114,732	261,613	244,757	239,106
Ramallah	89,584	95,050	99,361	190,504	205,447	207,091

Source: PCBS Annual Agriculture Statistics, various years.

Table 2: Livestock production in Jenin, Ramallah and Nablus districts (metric tons)

	99/00	00/01	01/02	02/03
Ramallah				
Meat*	2,115	2,255	2,406	2,577
Milk	7,952	8,696	9,273	10,329
Jenin				
Meat	2,707	2,579	3,983	4,735
Milk	16,610	17,467	21,527	22,933
Nablus				
Meat	2,958	2,826	3,504	3,955
Milk	23,564	24,762	28,044	29,670

Source: PCBS Published data

* Excluding poultry meat

Table 3: Profitability of agricultural and livestock activity

	Thousand US \$	% of total agricultural production
Value of plant production	473,678	55%
Value of Livestock Production	382,367	45%
Cost of plant production	128,766	29%
Cost of Livestock Production	311,728	71%
Value Added of plant production	344,912	83%
Value Added of Livestock Production	70,639	17%

Source: PCBS Annual Agriculture Statistics - 2002/2003: Press Release

Table 4: Table to show the fall in Olive, Meat and Cheese Prices

	Pre-Intifada	2004
Olive Oil Highest Price in (NIS/kg)	20	11
Cheese Highest Price in (NIS/kg)	25	19
Meat Highest Price in (JD/Kg) of Sheep	4.5	2.5

Source: UNSCO 'Fragmented Economies' data

APPENDIX 14: LOCALIZING PRODUCTION AND TRADE

Table 1: Origins of producers' inputs in sampled communities

	<i>Pre-Intifada</i>	2004
Agriculture		
West Bank	50.12%	91.45%
Israel/foreign	49.88%	8.55%
Livestock		
West Bank	16.10%	17.82%
Israel/foreign	83.90%	82.18%
Industry		
West Bank	79.41%	80.86%
Israel/foreign	20.59%	19.14%

Source: UNSCO 'Fragmented Economies' data

Table 2: Location of markets where producers' inputs are purchased in sampled communities

	<i>Pre-intifada</i>	2004
Agriculture		
Same Community	66.65%	72.44%
Same District	17.78%	18.55%
Other Districts	0.23%	0.00%
Israel	15.34%	9.00%
Livestock		
Same Community	6.52%	70.64%
Same District	81.09%	27.81%
Other Districts	12.39%	1.55%
Israel	0.00%	0.00%
Industry		
Same Community	41.92%	42.51%
Same District	8.98%	14.97%
Other Districts	37.72%	37.13%
Israel	11.38%	5.39%

Source: UNSCO 'Fragmented Economies' data

APPENDIX 15: MOVING OUT OF THE CASH ECONOMY

Table 1: Farmers' reliance on waged and unpaid family labour in sampled communities

	Pre-intifada	2004
Agriculture		
Farmers reliant mostly on family labour	27.68%	96.69%
Farmers reliant mostly on paid labour	72.32%	3.31%
Livestock		
Farmers reliant mostly on family labour	97.39%	98.48%
Farmers reliant mostly on paid labour	2.61%	1.52%

Source: UNSCO 'Fragmented Economies data

APPENDIX 16: SUB-CONTRACTING

Table 1: Cucumber production (in tonnes) in Jenin district by destination market

	99/00	00/01	01/02	02/03
Israel (open agriculture)	9,324	17,112	16,328	17,775
West Bank (green house)	5,750	4,720	4,760	2,502

Source: PCBS Annual Agriculture Statistics, various years

Table 2: Tourism Indicators in Israel (1999 -2003)

	1999	2000	2001	2002	2003
Tourist arrivals (million)	2.16	2.26	1.12	0.81	1.03

Source: PCBS Annual Agriculture Statistics, various years

Table 3: Districts' share of cucumber production for Israeli markets in the West Bank

District	00/01		02/03	
	Production (tonnes)	Area (donums)	Production (tonnes)	Area (donums)
Tubas	18%	14%	28%	25%
Tulkarm	1%	1%	0%	0%
Jenin	74%	81%	56%	55%
Nablus	6%	5%	16%	19%
Qalqilya	0%	0%	0%	0%
Total	100%	100%	100%	100%

Source: PCBS Annual Agriculture Statistics, various years

Table 4: Area planted with cucumber and quantities of cucumbers produced in northern West Bank districts

District	99/00		00/01		01/02		02/03	
	Production (ton)	Area (dunum)	Production (ton)	Area (dunum)	Production (ton)	Area (dunum)	Production (ton)	Area (dunum)
Tubas	2,596	1,298	4,253	1,555	6,287	2,325	9,075	3,300
Jenin	9,324	4,662	17,112	9,255	16,328	4,665	17,775	7,110
Nablus	680	340	1,368	574	2,489	913	5,006	2,503
Qalqilya	0	0	6	4	9	6	35	23

Source: PCBS Annual Agriculture Statistics, various years

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- ⁱ Figure 1 shows a relatively low level of labour to Israel in 1996 and 1997. This was due to the intermittent imposition of closures on the West Bank in 1996 and 1997 after several suicide bombings (UNSCO, *Quarterly Report*, April 1997; World Bank, *Long-Term Policy Options for the Palestinian Economy*, July 2002, p. xvi). The graph in Appendix 4 (Table 1) shows that overall labour flows from the West Bank to Israel remained stable between the 1970s and early 1990s. Between 1993 and 1996, labour flows fell as a result of Israel's closure policy, then picked up between 1997 and 2000. Labour flows fell again after September 2000. Pre-1996 data disaggregated according to the urban and rural West Bank is not available.
- ⁱⁱ *Israeli Military Orders in the occupied Palestinian West Bank: 1967-1992*, Jerusalem Media and Communication Centre, 2nd edition, 1995.
- ⁱⁱⁱ World Bank, *Developing the Occupied Territories: An Investment in Peace*, Vol. 3 Private Sector Development, September 1993, Washington, D.C. p. 108.
- ^{iv} F Naqib, 2000, *Economic Relations between Palestine and Israel during the Occupation Era and the Period of Limited Self-Rule*, Working Paper 2015, University of Waterloo, Canada.
- ^v S Dessus, 2003, *A Palestinian Growth History, 1968-2000*.
- ^{vi} See for example, S. Roy, *The Gaza Strip: The Political Economy of De-development*, (Institute for Palestinian Studies, 2001); S. Tamari, *Fragmentation and Occupation*, (Institute for Palestinian Studies, Beirut 1994).
- ^{vii} UNCTAD, *Palestinian Merchandise Trade in the 1990s: Opportunities and Challenges*, UNCTAD/GDS/SEU/1, 23 January 1998, p.10.
- ^{viii} World Bank, *Developing the Occupied Territories, An Investment in Peace*, Volume 4: Agriculture, September 1993 p.12.
- ^{ix} World Bank, *Long-Term Policy Options for the Palestinian Economy*, July 2002 p. 46.
- ^x *The Gaza Strip*, *ibid*.
- ^{xi} *Fragmentation and Occupation*, *ibid*.
- ^{xii} L. Farsakh, *Palestinian labour migration to Israel: Labour, Land and Occupation 1967-2000*, to be published by Routledge, 2005.
- ^{xiii} World Bank, *Long-Term Policy Options for the Palestinian Economy*, July 2002 p. 44.
- ^{xiv} *Palestinian labour migration to Israel*, *ibid*.
- ^{xv} A. Nicol and Y. Shalab, 2004, *Sustainable Management of the West Bank and Gaza Aquifers*, Palestinian Water Authority and Overseas Development Institute.
- ^{xvi} World Bank, *Developing the Occupied Territories*, Vol. 4 Agriculture, September 1993, p. 22.
- ^{xvii} M. Al Malki and K. Shalabi, *Socio-Economic Transformation in three Palestinian Villages*, Ma'an Development Centre, Ramallah, 1993.
- ^{xviii} In Habla (Qalqilia district), there has been a fall in employment in all irrigated agriculture due to the inaccessibility of agriculture land following the construction of the Barrier.