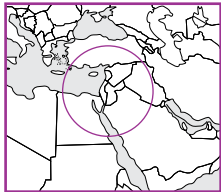


## The mirage of economic growth



The socio-economic situation in the occupied Palestinian territories (oPt) has shown some apparent improvement due to an injection of donor assistance in the West Bank, but the overall picture remains fragile. This is particularly true in the Gaza Strip, where the continued Israeli siege and blockade undermines prospects for development, perpetuating a deepening humanitarian crisis.

Palestinian NGO Network  
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Despite renewed donor assistance to the West Bank, resulting in an apparent increase in economic growth, real GDP growth the occupied Palestinian territories remains unchanged, and the overall socio-economic situation in remains fragile. This is particularly true in the Gaza Strip, where the continued Israeli siege and blockade undermines prospects for employment and growth. Since the blockade was imposed in June 2007, the number of refugees living in abject poverty has tripled.<sup>1</sup> According to the UN, 60.5% of households in the Gaza Strip are currently “food insecure.”<sup>2</sup>

Unemployment in oPt dropped marginally in the third quarter of 2009 compared to the same period in 2008, to 31.4%. However, unemployment among young people stood at 67%.<sup>3</sup> Just one woman in seven was working. Fully 70% of families were living on less than USD 1 a day in May 2008, according to the World Health Organization (WHO). In the third quarter of 2008, 51% of Palestinians lived below the poverty line (56% of Gazans and 48% of the West Bank population), with 19% living in extreme poverty.

The International Labour Organization (ILO) attributes the improvement to an accelerated growth rate and a slightly higher rate of employment, although the rate is still exceptionally low by international standards – roughly 15% in both Gaza and the West Bank.<sup>4</sup> The unemployment rate in the West Bank is 23% and more than 50% in the Gaza Strip, accord-

**CHART 1. Labour market – Percentage distribution of population 15 years and above in the Palestinian territory by labour force status and region (ILO Standards), 2009.**

Labour Force Status	Palestinian Territory	West Bank	Gaza Strip
Full Employment (working full time: 35 hours and above per week)	28.9	33.3	21.0
Working less than usual (lack of employment)	1.7	2.0	1.0
Working under poor conditions or for insufficient income	0.8	0.7	1.0
Did not work and seeking job	10.2	7.8	14.5
Did not work and did not seek job due to discouragement	3.3	3.2	3.4
Did not work – Old or illness	6.1	6.2	5.9
Did not work – Home duties	27.7	27.0	28.8
Did not work – Students	21.3	19.8	24.4
Total	100	100	100

Source: Palestinian Central Bureau of Statistics, May 2010.

ing to the Palestinian Central Bureau of Statistics.<sup>5</sup> The Gaza rate is among the highest in the world.

The strip is also considered the most aid-dependent area in the world; according to the World Food Program, more than 80% of the population relies on food aid.<sup>6</sup> In the second half of 2008, 33% of households in the West Bank and 71% of those in Gaza received food assistance, with food accounting for roughly half of total household expenditures. In May 2008, the UN estimated that 56% of Gazans and 25% of West Bank residents were “food insecure.”<sup>7</sup> At the same time, chronic malnutrition has risen in Gaza over the past few years to reach 10.2%.<sup>8</sup>

### Gaza and the West Bank: a twofold reality

Israel’s blockade of the Gaza Strip, which has 1.5 million inhabitants, has caused the shutdown of 98% of industrial operations since 2007, as well as acute shortages of fuel, cash, cooking gas and other basic supplies.

The ban on imports of building materials has prevented the rebuilding of some 6,400 homes destroyed or severely damaged by Israel’s military operation in Gaza in 2008-09<sup>9</sup> and prevented the construction of some 7,500 homes needed for an expanding population. Some 3,500 families are still displaced.<sup>10</sup>

The blockade and Israel’s military operation destroyed the water and sanitation infrastructure, including reservoirs, wells, and thousands of kilometers of piping. Water-related health problems are widespread. Gaza is also suffering an electricity crisis. The network is only able to meet 70% of demand due to insufficient funds to buy fuel for the power plant and a lack of spare parts, which is causing technical failures.<sup>11</sup>

On the other hand, the West Bank economy has appeared to be growing since the beginning of 2009, partly due to an influx of donor funds but also because movement restrictions have been eased there and an improved security environment has increased investor confidence and boosted economic activity. The International Monetary Fund pegged growth at 7% in 2009.<sup>12</sup>

1 Amnesty International, “Suffocating Gaza—the Israeli blockade’s effects on Palestinians”, 1 June 2010. Available from: <[www.amnesty.org/en/news-and-updates/suffocating-gaza-israeli-blockades-effects-palestinians-2010-06-01](http://www.amnesty.org/en/news-and-updates/suffocating-gaza-israeli-blockades-effects-palestinians-2010-06-01)>.

2 FAO/WFP, *Socio-Economic and Food Security Survey Report 2 – Gaza Strip*, November 2009. Available from: <[www.unispal.un.org/UNISPAL.NSF/0/3C235308657198298525771A00688E0F](http://www.unispal.un.org/UNISPAL.NSF/0/3C235308657198298525771A00688E0F)>.

3 IRIN News, “OPT: West Bank health and economy up a bit, Gaza down,” 18 May 2010. Available from: <[www.irinnews.org/Report.aspx?ReportId=89169](http://www.irinnews.org/Report.aspx?ReportId=89169)>.

4 ILO, Annual report on the situation of workers of the occupied Arab territories, 10 June 2010. Available from: <[www.ilo.int/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang=en/WCMS\\_141537/index.htm](http://www.ilo.int/global/About_the_ILO/Media_and_public_information/Press_releases/lang=en/WCMS_141537/index.htm)>.

5 See: <[www.pcbs.gov.ps](http://www.pcbs.gov.ps)>.

6 “International aid agency: 80 percent of Gazans now rely on food aid”, *Haaretz*, 3 April 2007.

7 WFP, FAO and UNRWA, *Joint rapid food security survey in the Occupied Palestinian Territory*, May 2008. Available from: <[www.unispal.un.org/pdfs/RapidAssessmentReport\\_May08.pdf](http://www.unispal.un.org/pdfs/RapidAssessmentReport_May08.pdf)>.

8 FAO and WFP, *Occupied Palestinian Territory—Food security and vulnerability analysis report*, December 2009. Available from: <[www.unispal.un.org/UNISPAL.NSF/0/FC44A5D7F00AA567852576960059BEB4](http://www.unispal.un.org/UNISPAL.NSF/0/FC44A5D7F00AA567852576960059BEB4)>.

9 See “Poor and imprisoned,” *Social Watch Report 2009: People First*. Available from: <[www.socialwatch.org/node/871](http://www.socialwatch.org/node/871)>

10 IRIN News, *op. cit.*

11 *Ibid.*

12 “Signs of Hope Emerge in the West Bank,” *New York Times*, 16 July 2009. Available from: <[www.nytimes.com/2009/07/17/world/middleeast/17westbank.html](http://www.nytimes.com/2009/07/17/world/middleeast/17westbank.html)>.

## Gaza: a blockade on people's health

A failing economy, rising unemployment and deteriorating power, sanitation and health facilities are steadily worsening the living conditions and health of Gaza's population, according to the World Health Organization (WHO).

In a press statement released on 1 June 2010, WHO renewed its call for Israel to allow unimpeded access into the Gaza Strip for life-saving medical supplies, including equipment and medicines, as well as freer movement for healthcare devices needing repair and people entering and leaving the territory for medical training.<sup>1</sup>

Hundreds of items of equipment procured by WHO and other humanitarian organizations have been held outside Gaza for up to a year, according to Tony Laurance, head of the WHO office for Gaza and the West Bank. Among them are CT scanners, x-rays, fluoroscopes, infusion pumps, medical sterilization gasses, laboratory equipment, uninterrupted power supply batteries and spare parts for support systems such as elevators.

"It is impossible to maintain a safe and effective healthcare system under the conditions of siege that have been in place now since June 2007," Laurance protested. "It is not enough to simply ensure supplies like drugs and consumables. Medical equipment and spare parts must be available and be properly maintained."

The blockade of Gaza is debilitating the healthcare system, limiting medical supplies and the training of medical personnel and preventing people with serious medical problems from travelling outside the Strip for specialized treatment.

Israel's 2008-09 military operation damaged 15 of the Gaza's 27 hospitals and damaged or destroyed 43 of its 110 primary health care facilities, none of which have been repaired or rebuilt because the blockade includes a ban on importation of construction materials.<sup>2</sup> Some 15-20% of essential medicines are commonly out of stock; essential spare parts for many pieces of medical equipment are frequently unavailable.<sup>3</sup>

This strangulation of the medical system has stalled a steady decline in the infant mortality rate over the past few years. The rate may have even risen in Gaza, where it is about 30% higher than in the West Bank.<sup>4</sup> Among reportable infectious diseases, watery and acute bloody diarrhea and viral hepatitis have become the major causes of morbidity in Gaza.

"Very often journalists ask me whether I define the crisis in Gaza as humanitarian and I give this reply: It's far beyond humanitarian. It's much more serious," declared Filippo Grandi, Commissioner-General of the UN Relief and Works Agency for Palestine Refugees (UNRWA).<sup>5</sup> "You can address a humanitarian crisis with medicines and food; this is far more serious. It's a crisis of the economy first of all—people are very poor. It's a crisis of the institutions and it's a crisis of the infrastructure. This requires years to fix." ■

1 WHO, "Unimpeded access of medical supplies needed for Gaza," Press statement, 1 June 2010. Available from: <[www.emro.who.int/palestine/reports/advocacy\\_HR/advocacy/WHO%20-Press%20statement-June2010.pdf](http://www.emro.who.int/palestine/reports/advocacy_HR/advocacy/WHO%20-Press%20statement-June2010.pdf)>.

2 IRIN News, "OPT: West Bank health and economy up a bit, Gaza down," 18 May 2010. Available from: <[www.irinnews.org/Report.aspx?ReportId=89169](http://www.irinnews.org/Report.aspx?ReportId=89169)>.

3 *Ibid.*

4 *Ibid.*

5 *Ibid.* For more information on UNRWA work see: <[www.unrwa.org](http://www.unrwa.org)>.

Healthcare services also have improved in the West Bank over the past year due to the easing of movement restrictions and the efforts of the Palestinian Ministry of Health, with support from donors and other stakeholders. However, the impact of Israel's "Separation Wall" and restricted access to hospitals in East Jerusalem, where nearly 50% of Health Ministry referrals were directed in 2009, remain areas of concern (see box).<sup>13</sup>

### Movement and isolation

Restricted access remains the main factor limiting economic growth. Sporadic closures and unstable political conditions in the West Bank continue to disrupt work and curtail productivity.

Restrictions on access and movement in the West Bank, including East Jerusalem, include the separation wall, checkpoints and other physical obstacles, together with an increasingly sophisticated permit system. The number of checkpoints and physical obstructions climbed above 620 during the year 2009, according to the UN Office for the Coordination of Humanitarian Affairs (OCHA). These impediments continue to choke economic activity and damage the social fabric, along with the well-being of the population.

Israeli efforts to reduce the number of Palestinians living and working in East Jerusalem are steadily isolating it from the rest of the West Bank. The Arab inhabitants of East Jerusalem face multiple forms of discrimination. In Israel as a whole, unemployment is much higher among Arab citizens, and discontent has been growing. A recent survey by the University of Haifa revealed that 48% of Israel's Arab citizens are dissatisfied with their lives in the Jewish State, compared to 35% in 2003.<sup>14</sup> One factor has been the Israeli Government's announcement that it will continue with the expansion of settlements in East Jerusalem, despite the protests of civil society organizations.<sup>15</sup>

### Challenges ahead

The bleak economic, social and humanitarian situation in the OPT violates citizen rights and human

dignity on a daily basis, closing off all opportunities for economic advancement.

While aid remains essential for economic and social development, the major challenge confronting Palestinian society remains the Israeli occupation. Therefore the purpose of any support provided to the Palestinians apart from humanitarian assistance should be to assist the Palestinian community in achieving national development. The challenge is to open up this process by ensuring that Palestinians are included in the process and participate in shaping the development agenda. This would reorient cooperation between local and international actors to ensure that their policies more closely reflected people's aspirations and needs.

The development process must include more inclusive economic and social policies and at the same time bring about dialogue and understanding between the peoples in the region. Economic and social development that ensures the well-being of the Palestinian people requires a political solution to the conflict based on the creation of an independent, democratic and viable Palestinian State living in peace and security with all its neighbours. ■

14 Sawzan Ramahi, "Israel's discrimination against its Arab citizens," *Middle East Monitor*, June 2010. Available from: <[www.middleeastmonitor.org.uk/resources/briefing-papers/1230-israels-discrimination-against-its-arab-citizens](http://www.middleeastmonitor.org.uk/resources/briefing-papers/1230-israels-discrimination-against-its-arab-citizens)>.

15 "Netanyahu: Israel will keep building in Jerusalem," *Haaretz*, 15 March 2010. Available from: <[www.haaretz.com/news/netanyahu-israel-will-keep-building-in-jerusalem-1.264791](http://www.haaretz.com/news/netanyahu-israel-will-keep-building-in-jerusalem-1.264791)>.

13 IRIN News, *op. cit.*