

International Labour Conference, 95th Session, 2006

Report of the Director-General

Appendix

The situation of workers of the occupied Arab territories

International Labour Office Geneva

ISBN 92-2-116622-8
ISSN 0074-6681

First published 2006

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Preface

The Report was prepared, as in previous years, following high-level missions to Israel and the occupied Arab territories and to the Syrian Arab Republic. The missions enjoyed once more the full cooperation of the interlocutors, reaffirming the support for the ILO's efforts to contribute to building peace and security in the region through monitoring and assessing economic and social development in our fields of competence. As always, the ILO followed the overall guidance of the United Nations in its activities in the occupied Arab territories.

The cooperation received was particularly welcome this year, as the missions were timed so as to visit the region after democratic elections to the Palestinian Legislative Council on 25 January and to the Israeli Knesset on 28 March 2006. The missions thus witnessed at first hand a situation in which a new Government of the Palestinian Authority had just assumed office and a new Israeli Government was still being formed. There was an expectation among the parties involved in the Israeli-Palestinian conflict that these changes would lead to some redefinitions of the respective positions. Similarly, important actors in the international community reminded both sides of their international obligations and reaffirmed their commitment to the search for ways of averting a deepening of the humanitarian crisis and renewing the peace process.

What the missions saw was that the daily life of workers in the occupied Arab territories not only continues to be dramatic but is further complicated by additional political uncertainties. As the United Nations Special Coordinator for the Middle East Peace Process, Alvaro de Soto, has highlighted, the major current challenges include finding ways for the United Nations and other international actors to ensure that the interests of peace are served and the needs of the Palestinian people met. This cannot only be through the activities of international agencies, since the services provided by the Palestinian Authority cannot be replaced.¹

The mission's examination of the situation of workers in the occupied Arab territories served to highlight the continuing plight of very large numbers of women and men who are unable to work regularly, productively and in acceptable conditions. Its report is written in factual language but describes a situation that amounts to a daily affront to human dignity and an immense accumulation of frustration directed against the multiple and recurrent obstacles that thwart people in their perfectly normal aspiration to earn a decent living.

The striking feature of the labour market of the occupied Arab territories is the persistent and unpredictable security restrictions on the movement of people and products. This, coupled with a Separation Barrier that deviates from the route of the Green Line and physically blocks movement within the territories as well as between the territories and

¹ In a statement to the United Nations Security Council at its 5419th Meeting, 24 April 2006 (document SC/8697).

Israel, disrupts the normal economic activity of Palestinian enterprises and is one of the major causes of the deteriorating conditions faced by workers.

The pullout from Gaza, no doubt an important event, has ended restrictions within the Gaza Strip. The latter's potential for economic and employment recovery is nonetheless hampered by continuing difficulties for Palestinian exporters. For a period in mid-2005, the security regime was eased and employment picked up, but more recently, this has been reversed.

Four out of every ten Palestinians in the territories are living in poverty on less than US\$2.10 a day. The absolute figure is up from 600,000 in 1999 to 1,600,000 in 2005. Only one out of every ten women is able to work outside the home, despite the fact that Palestinian women are among the most highly educated in the world. Open unemployment, plus the large number of workers who have become discouraged from actively seeking work because the search is so fruitless, amount to an estimated 40 per cent of the Palestinian labour force. Two out of five of those in work in Gaza and one in five in the West Bank are employees of the Palestinian Authority. Their wages are estimated to support some 900,000 people.

The intricate linkages between economic, social and political development, on the one hand, and peace and security, on the other, have to be at the forefront of our thinking in addressing the pervasive and continuing problems of daily life faced by the people of the occupied Arab territories. This is the underlying premise behind ILO efforts in the region and elsewhere: economic and social security is a precondition of lasting peace. As the United Nations Secretary-General puts it in his report entitled *In larger freedom*: "We will not enjoy development without security, we will not enjoy security without development, and we will not enjoy either without respect for human rights."² Translating this vision into peace and into peaceful means of action by all parties is the challenge before us.

An important dimension of the global corpus of international law on human rights is the right of workers and employers to associate freely and form and join organizations of their own choosing. In the current conditions in Palestine, progress towards the realization of this right could play an important role in creating transparent, inclusive and effective channels for relief and representation that lead towards sustainable enterprises, international trade and increased employment. In the ILO's global constituency, many workers' and employers' organizations emerged before an independent State was secured in their country. They not only performed an important role in improving conditions of work and life in often turbulent times, but also contributed to the spreading and deepening of a democratic civic culture in which problems could be resolved on the basis of mutual respect and dialogue. The mission met with both the Palestinian social partners, who share the universal demand of workers' and employers' organizations worldwide for a secure legal underpinning for their status in accordance with ILO standards on freedom of association.

The rights of Palestinian workers and their families constitute one of the essential steps on the path towards social-economic development, security, peace and enhanced freedom in the occupied Arab territories. This is why the Governing Body of the International Labour Office and the International Labour Conference have ascribed a constructive role to the ILO in helping, through its programmes, to improve the lives of

² United Nations: *In larger freedom: Towards development, security and human rights for all*, Report of the Secretary-General, General Assembly, 59th Session, document A/59/2005, para. 17.

working men and women and their families in the region. In this respect, the enhanced programme of technical cooperation for the occupied Arab territories, on which the Office will report again in November 2006, enjoys the widespread support of all regions and groups in the Governing Body.

The ILO has always held that security is never only a military matter. The ILO Constitution's statements that "poverty anywhere constitutes a danger to prosperity everywhere" and that "lasting peace can be established only if it is based on social justice" are extremely relevant in today's Middle East.

Human security is in deficit on both the Israeli and Palestinian sides of the unresolved conflict. Since the visit of the mission there has been an alarming increase in violence, with casualties on both sides, including children. The Government of Israel emphasizes physical security for its citizens. The Palestinian Authority stresses the economic and social insecurity as well as the physical security of Palestinians living under occupation. Security in all its aspects – physical, social and economic – in Israel, on the one hand, cannot be separated from the same security needs of the Palestinian people living in the occupied territories, on the other. The comprehensive security of both peoples is inextricably intertwined. There is a shared responsibility to address the full range of issues jointly. The ILO trusts that it will be able to contribute to a renewed peace process on the basis of its specific competencies and its long-standing relationships with the tripartite constituency of the region.

May 2006.

Juan Somavia,
Director-General.

Contents

	<i>Page</i>
Preface	iii
Introduction.....	1
1. The political context: Evolving positions following the 2006 elections.....	3
2. Closures and their impact on Palestinian livelihoods	6
3. An economy under occupation.....	19
4. Social dialogue and its part in good governance.....	30
5. Summary and conclusions	33
References	39
Annex	43

Introduction

1. In accordance with the resolution concerning the implications of Israeli settlements in Palestine and other occupied Arab territories in connection with the situation of Arab workers, adopted by the International Labour Conference at its 66th Session (1980), the Director-General again this year sent missions to Israel and the occupied Arab territories and to the Syrian Arab Republic in order to make as full an assessment as possible of the situation of workers of the territories (the West Bank, including East Jerusalem, the Gaza Strip and the Golan).¹ In the course of the mission to the occupied Arab territories, the Director-General's representatives held numerous discussions and meetings with both Israeli and Palestinian interlocutors.²

2. The timing of the mission was dictated in part by the need to prepare a report for submission to the International Labour Conference, and in part on the advice of the Israeli authorities, who requested that the mission come after the Israeli general elections. Accordingly, it arrived on 29 March, the day after the Israeli general elections, when the final result was not yet known. Ministers of the newly appointed Palestinian Government had just been sworn in, and the outgoing ministers were in the process of handing over during the mission. Although a meeting was requested with H.E. President Mahmoud Abbas, Chairman of the Palestine Liberation Organization (PLO), or a representative of his office, he was unfortunately not available to the mission. This mission from the International Labour Organization, a specialized agency of the United Nations, was naturally guided by the approach of the United Nations. The mission was very much aware of the changing and conditional political environment, as well as the humanitarian situation, especially in the Gaza Strip, and it took full account of developments among other organizations of the multilateral system. As regards contacts with the new Government of the Palestinian Authority, the mission was fully coordinated with and received guidance from the United Nations Special Coordinator for the Middle East Peace Process, Alvaro de Soto. The scope of its meetings and contacts was squarely situated within this framework.

3. In examining all the issues involved, both during the missions and in the preparation of this Report, the Director-General's representatives bore in mind, as they

¹ As has been pointed out in previous reports, the Golan has been occupied by Israel since 1967 and was unilaterally annexed by Israel in 1981. The position of the Israeli Government regarding the Golan was stated in the following terms: "The ILO mission is meant to collect material for the Director-General's Report on the occupied Arab territories. It is the position of the Government of Israel that the Golan, to which Israeli law, jurisdiction and administration have been applied, is not now such an area. In view of this consideration, approval for a visit of the ILO mission to the Golan was given as a gesture of goodwill and without prejudice. The decision to facilitate such an informal visit shall not serve as a precedent and does not contravene the Israeli Government's position." On 17 December 1981, the United Nations Security Council adopted resolution 497 calling on Israel to rescind its decision to annex the Golan, which has never been recognized by the United Nations. The Israeli position is also disputed by the Government of the Syrian Arab Republic and the Arab people of the Golan, which consider the Golan as an occupied part of the Syrian Arab Republic

² A list of interlocutors is contained in the annex to this Report.

have always done, the relevant standards of international law, in particular, the Hague Convention of 1907 (respecting the laws and customs of war on land) and the Fourth Geneva Convention of 1949 (relative to the protection of civilian persons in time of war), of which Israel is a co-signatory.

4. The Director-General's representatives were guided by the principles and objectives laid down in the Constitution of the International Labour Organization, including the Declaration of Philadelphia, by the standards and resolutions adopted by the International Labour Conference, by the principles enunciated by the supervisory bodies of the ILO, and, more generally, by the issue of rights at work. As indicated in the 1980 resolution, the substantive matters at issue include equality of opportunity and treatment of workers of the occupied Arab territories, the trade union freedoms and rights of those workers, and the psychological, spiritual and material damage caused to Arab workers in Palestine and other occupied Arab territories by the Israeli settlement policy. This approach gives all due weight to principles and rights at work, which, together with employment, social protection and social dialogue, form the pillars of the Decent Work Agenda. The present Report thus takes account of relevant legislation and the information obtained concerning realities on the ground in respect of the situation of the workers of the occupied Arab territories.

5. The Director-General entrusted Friedrich Buttler, Regional Director for Europe and Central Asia, Rania Bikhazi, Enterprise Development Specialist at the ILO Regional Office for the Arab States in Beirut (RO-Beirut), Philippe Egger, Senior Economist of the Bureau of Programming and Management, Tariq Haq, Employment Development and Strategies Officer at RO-Beirut, and Steven Oates, Sector Coordinator in the Office of the Executive Director for Standards and Fundamental Principles and Rights at Work, with the mission to Israel and the occupied Arab territories, from 29 March to 5 April 2006. Rasha El Shurafa, Acting ILO Representative for the West Bank and Gaza, undertook all the preparations for the mission, of which she was a full member.

6. Friedrich Buttler, Rania Bikhazi and Steven Oates were entrusted with the mission to the Syrian Arab Republic on 5 April 2006.

7. This Report takes account of information obtained on the spot by the missions mentioned above, as well as the documentation submitted by the missions' interlocutors and other documentation publicly available. In examining the situation of Arab workers of the occupied territories, the missions conducted their work with impartiality and objectivity. This year's Report does not include a chapter on the Israeli economy, which had been introduced for the first time in 2002 when the Israeli economy was particularly affected by the repercussions of the conflict. This was no longer the case in 2005. Neither does the Report go into the details of the ILO's technical cooperation with the Palestinian partners. The Office reports separately on this issue to the Governing Body November sessions.

8. The Director-General is most grateful to all the parties involved, and wishes to acknowledge that his representatives enjoyed, as they have always done, the fullest cooperation of all parties, both Arab and Israeli, including representatives of organizations of the United Nations system, in obtaining the factual information on which this Report is based. He recognizes also the full cooperation extended to his representatives by the authorities of the Syrian Arab Republic. The Director-General sees this cooperation as an indication of the continuing confidence placed by all parties in the ILO and its efforts to contribute to promoting the economic and social development of the territories, which is an essential element in a satisfactory settlement of the present conflict.

1. The political context: Evolving positions following the 2006 elections

9. In last year's Report, the mission characterized the context as one of "renewed dialogue in a volatile setting". Although uncertain in many aspects, the situation prevailing then was nevertheless marked by a number of reasons for hope. The Road Map continued to define the international framework for developments in the situation of workers of the occupied Arab territories and the ongoing process of democratic elections gave rise to expectations for renewed dialogue. Although the unilateral announcement by Israel of its intention to evacuate settlements and all military forces in the Gaza Strip had been received with reserve by the Palestinians, who had wished to see such arrangements as part of a negotiated peace settlement, first steps towards military disengagement had been designed and "serious attempts, at top levels, [at] putting an end to the deteriorating situation as a whole" had been recognized (Palestinian Legislative Council, 2006). The withdrawal of the Israeli presence in the Gaza Strip, together with the 15 November 2005 Agreement on Movement and Access (AMA), has the potential to ease the situation of workers.

10. The pullout from the Gaza Strip took place between 15 August and 12 September 2005. Consequently, internal restrictions of movement are no longer in place. External restrictions on movement by sea, air and land (with the exception for pedestrians only of the border crossing with Egypt at Rafah) are in force, reflecting Israeli security concerns. The Quartet Special Envoy for Disengagement regularly reported on the implementation of the Agreement on Movement and Access (Office of the Special Envoy for Disengagement, 2006). In his testimony to the Committee on Foreign Relations of the United States Senate, Special Envoy James Wolfensohn stated: "While some success was achieved at Rafah, and for a time at the Karni crossing, the overall implementation of the AMA has been poor" (United States Senate Committee on Foreign Relations, 2006). Border crossings are closed and reopened subject to unilateral risk assessment by the Israel Defense Forces (IDF). It is difficult to assess the proportionality of these security measures in relation to the threats as perceived by the Israeli Government. The Israeli Coordinator of Government Activities in the Territories (COGAT), Major General Yossef Mishlev, explained balancing security and mobility as a "strategy of calculated risk", whereas the mission's Palestinian interlocutors frequently characterized the measures as "collective punishment" of the Palestinian people. Physical security for Israeli citizens remains the utmost priority in the political context as viewed by the Israeli Government. Consequently, restrictions of movement between the West Bank on the one hand and Israel and the Palestinian territory on the western side of the Separation Barrier on the other continue to be regulated by the as yet incomplete Separation Barrier. In addition, the mission witnessed again this year a worsening of the internal mobility situation within the West Bank, leading to what Palestinians call the "cantonization" of the West Bank into three separate regions (north including Nablus, Jenin and Tulkarem, centre around Ramallah and south around Hebron) and to an increasing separation of the Jordan Valley and of East Jerusalem from those regions. The Gaza Strip has become more and more isolated.

11. Prior to the Knesset elections on 28 March 2006, the Israeli Government had in the second half of 2005 announced further unilateral steps to set Israel's final borders. Those election results combined with those of the Palestinian Legislative Council on 25 January to create a new background for any future dialogue. Since the landslide victory of Hamas in the January 2006 parliamentary elections, dialogue has been

disrupted. Palestinians maintain their people must not be punished for the outcome of the democratic electoral process, described by the Quartet as “free, fair and secure” (United Nations, 2006a). It is noteworthy that Palestinian public opinion polls point to a clear shift in majority opinion in support of a two-state solution (from 44.5 per cent in June 2004 to 57.9 per cent in February 2006) and against military operations against Israelis (from 26.9 per cent in June 2004 to 51.5 per cent in February 2006) (Jerusalem Media and Communication Center, 2004 and 2006).

12. The Quartet expected the future Palestinian Government, which took office at the end of March 2006, to commit “to the principles of non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Road Map” (United Nations, 2006a).

13. Israel has seen the Kadima party emerge ahead of the 28 March elections. Its leader, Ehud Olmert, announced negotiations with a view to the formation of a coalition with the Labor Party and other partners. Whether the coalition may change the Government’s stance concerning future unilateral solutions, as expected by Saeb Erekat, representative of the PLO, remains to be seen. Ehud Olmert later said that “the time has come” for a unilateral solution (*Newsweek-Washington Post*, 2006). In his address to the plenary session of the European Parliament on 5 April 2006, European Union (EU) High Representative Javier Solana said the EU would continue to reject unilateral solutions that could compromise a solution based on two States, and the Council of the European Union “underlined the importance of a strong commitment by the new Israeli Government to work towards a negotiated solution of the Israeli-Palestinian conflict based on existing agreements, the relevant [United Nations Security Council] UNSC Resolutions and the principles laid down in the Road Map” (Council of the European Union, 2006).

14. If solutions were envisaged which aimed at determining the future borders of the State of Israel and any future Palestinian State, particular attention would have to be paid to the nature of the Separation Barrier. The Israeli Government had previously maintained that the trajectory of the barrier did not prejudice the future frontier between the two states. The Council of the European Union “called on Israel to desist from any action, such as settlement activities and the construction of the Separation Barrier on Palestinian land, that is contrary to international law and threatens the viability of an agreed two-state solution” (ibid.).

15. Foreign assistance to the Palestinians consists of budget support, emergency/humanitarian assistance and development aid. In 2005, donors’ contributions amounted to approximately US\$1.3 billion, of which approximately US\$350 million (27 per cent) was provided in the form of budget support, US\$500 million (38 per cent) as humanitarian/emergency assistance, and US\$450 million as development aid (World Bank, 2006a). Whereas emergency/humanitarian assistance might even increase to mitigate hardships during the coming months, the continuation of donor support for the Palestinian Authority budget and for development projects is an issue in the current debate. In 2005, an average of 150,000 civilian and security employees worked for the Palestinian Authority, of whom 30,000 were employed in primary and secondary education and 11,000 in health facilities. Taking dependency ratios into account, around 900,000 Palestinians are estimated to depend on salaries paid by the Authority, not counting multiplier effects on the economy as a whole. Dependence on public sector employment is much higher in Gaza (38 per cent of total employment in Gaza) than in the West Bank (17 per cent).

16. Although international organizations are doing admirable relief work, the mission was frequently told that “there is no possibility to replace the Government’s services” (as a representative of the International Committee of the Red Cross (ICRC) put it). In addition, the World Bank asserts: “It would be difficult to ramp up emergency/humanitarian assistance levels quickly ... humanitarian delivery potential would also be impeded by the movement restrictions in place today at the borders and inside the West Bank” (ibid.). According to COGAT’s briefing to the mission, the Government of Israel would always facilitate the passage of assistance to mitigate a humanitarian crisis. However, the emergence or intensification of vicious circles – from wherever they start – of human insecurity, violence, political insecurity and additional movement restrictions cannot be excluded.³

17. Many observers have stressed the very serious humanitarian, political, economic and social implications of reducing levels of financial support to the Palestinian Authority, an institution built by the Palestinians with the support of donors and discharging vital functions of government throughout the occupied Palestinian territories. The Palestinian Authority is crucial to a revived Palestinian economy, which is in turn vital to security and peace prospects.

18. This is the situation in which, at the time of writing, a new Palestinian Government had just assumed power and a new Israeli Government was still being formed. It was a time at which the two parties involved expected each other to redefine positions, and at which important actors of the international community reminded both of their international obligations, and were seeking ways to avert a deepening of the humanitarian crisis while renewing peace negotiations. Virtually every day, new elements are added to this extremely unstable environment.

³ The Stockholm International Peace Research Institute (SIPRI), in its 2005 Yearbook, includes the Israel-Palestinian conflict among its list of 19 major armed conflicts in 2004 in the category of internationalized intra-state conflicts (SIPRI, 2005).

2. Closures and their impact on Palestinian livelihoods

19. Movement of Palestinians within and between the occupied territories continues to be restrained by an intricate and stringently enforced regime of internal and external closures.⁴ Israel declares the closure system a necessary security measure; however, Palestinians and human rights organizations argue that it is collective punishment⁵ and an attempt to expropriate Palestinian land and natural resources. Freedom of movement is necessary for access to land and markets, and lack of it is disastrous for Palestinian economic and social conditions. The extent and nature of the closure measures have continued to evolve over the course of 2005, with distinct patterns emerging in the West Bank and Gaza.

2.1. Internal closure in the West Bank

20. Inside the West Bank, the pervasive network of checkpoints, roadblocks, road gates, earth mounds and walls, road barriers and trenches, and the West Bank Separation Barrier, coupled with a complex and inconsistent regime of permits, defines the scope of movement of goods and people. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) observes that the network of internal closures is gradually establishing a “horizontal trisection” of the West Bank, with travel between north, central and south regions of the West Bank increasingly difficult (OCHA, 2006a). Table 2.1 charts the number of internal closure measures in force in the various West Bank governorates at selected intervals between November 2004 and January 2006, estimating the effective workforce affected by these measures.

Table 2.1. Internal closure measures and estimated workforce, by West Bank governorate

No. of closure measures in:	Bethlehem	Hebron	Jenin	Jericho	Jerusalem	Nablus	Qalqiliya	Ramallah	Salfit	Tubas	Tulkarem
November 2004	87	197	42	15	47	120	13	96	31	6	26
April 2005	53	181	30	14	43	117	11	93	34	6	23
August 2005	30	132	10	15	34	57	8	60	12	6	12
January 2006	33	187	7	14	40	73	8	57	23	7	22
Labour force (at Q4/2005)	35 714	118 243	65 972	14 085	86 420	84 746	24 272	68 783	15 306	15 075	40 984

Sources: OCHA: West Bank: Access and closure, various editions 2005-06; labour force data calculated from PCBS, 2006a.

⁴ Internal closure within Gaza has ceased since the unilateral Israeli disengagement was completed on 12 September 2005. However, air and sea access to Gaza continues to be barred, as does land access, except through the Rafah crossing to Egypt for private pedestrians only. Passage through checkpoints into Israel or to go to the West Bank is strictly controlled or prohibited. The very limited passage between the occupied Syrian Golan and the rest of the Syrian Arab Republic is described below.

⁵ For example, Al-Haq. See also OCHA, 2003: “There are widespread concerns that ... the impact – if not intent – of the measures imposed by Israel has been collective punishment of the civilian population.”

21. The complexity and inconsistency of the regime for issuing permits – together with the difficulty in obtaining information about its practical operation – underlines the arbitrary and discriminatory way in which rights which are so fundamental to the exercise of employment and occupation are granted or refused, without reference to any perceptible rule basis and without any legal recourse or appeal.

22. Total internal closure measures in the West Bank fell from 680 in November 2004 to 605 in April 2005, and 376 by August 2005. Correspondingly, West Bank unemployment fell from over 22 per cent in early 2005 to under 20 per cent by the third quarter (PCBS, 2006a). However, the fourth quarter of 2005 saw a 25 per cent increase in closure measures to 471 by January 2006, with a particularly steep rise in Hebron in the south and Nablus in the north, two of the governorates with the largest labour forces in the West Bank. During this period, unemployment in the West Bank rose again to 21.8 per cent (*ibid.*). The mission also heard that several “flying” checkpoints and other ad hoc obstacles to movement in the northern West Bank appeared to be taking on a more permanent appearance, having occurred on a daily basis in recent months.

23. Another recent development is the segregation of the Jordan Valley from other parts of the West Bank. Over 90 per cent of the Jordan Valley is under direct Israeli military and administrative control (“Area C” under the Oslo accords), with the exception of the towns of Jericho and Al Auja, and five other villages. A total of 21 settlements have been established either side of the main north-south thoroughfare, Road 90, which itself is out of bounds to all Palestinian non-residents of the Jordan Valley. Permits are required for any Palestinian construction activity in Area C and, as very little has been authorized since 1967, many Palestinian communities in the region lack basic water and electricity infrastructure. Most of the region is dependent upon the fertile agricultural land, much of which is developed by the settlers or closed off by the military.

24. As of May 2005, Palestinians must possess ID cards with a Jordan Valley address in order to be able to reside in the area, or else they are subject to being removed. Since October 2005, only Jordan Valley residents have been permitted to pass through the Israeli checkpoints into the Jordan Valley. Non-resident landowners and workers must obtain permits to enter. Such permits are not valid for overnight stays, necessitating daily commuting, and delays at the main Hamra and Tayasir checkpoints connecting the Jordan Valley with the rest of the West Bank are frequent.⁶ Delays and extensive closures also prevent farmers in the Jordan Valley from transporting their perishable agricultural produce to other West Bank markets, which directly affects household income. Movement and access restrictions in the Jordan Valley are not easily explained by security considerations, given the absence of attacks emanating from the area in recent years.

⁶ OCHA: *Humanitarian Update*, Oct. 2005.

Box 2.1.

Al Jiftliq: A population under pressure

Some 20,000 Palestinians in the Jordan Valley live under the constant stress of not knowing whether their homes will be demolished from one day to the next. They are under curfew. They live in makeshift tents, under corrugated iron and polythene bags. In the summer the heat is unbearable; the day the mission visited it was raining and nothing was dry. They try to build a school, so that their children do not have to suffer the humiliation inflicted at checkpoints when they try to bus to nearby villages, but they have very little furniture or equipment, the tents leak, and they are not allowed to repair buildings. Sometimes they have electricity, water and medicine for children, thanks to the Palestinian Authority (PA) – but the PA is losing what little resources it has had. Being unable – unlike the few Israeli settlers close by – to sell their produce because of checkpoints

and barriers, the people have almost no livelihood to make. These people have not resorted to violence.

“With facilities provided by the PA we came up to zero level. We want to work with them to develop the Valley, but Israel prevents everything!” (Hassan Jarmi, Head of Zubeidat Village Council, April 2006).

2.2. The Separation Barrier

25. In spite of the advisory opinion of the International Court of Justice (ICJ) delivered on 9 July 2004 and the subsequent United Nations General Assembly resolution, ES-10/15, calling for an immediate cessation and reversal of construction activity, erection of the 670 km West Bank Separation Barrier is proceeding apace, with over 60 per cent of its trajectory either under construction (166 km) or already completed (243 km) as of October 2005 (OCHA, 2006b). Only 145 km (25.4 per cent) of the Barrier’s total length is constructed or projected to be built along the 1949 Armistice Line (the “Green Line”), with the remaining 525 km (74.6 per cent) inside West Bank territory, sometimes cutting in deeply to incorporate large Jewish settlements on its west side (22 km in the case of Ari’el/Emmanuel and 14 km in the case of Ma’ale Adumim). Including these settlements, 10.1 per cent of West Bank and East Jerusalem land will fall to the west of the Barrier (ibid.).

26. The route of the Barrier appears to be designed to incorporate approximately three-quarters of West Bank and East Jerusalem settlers to its west, roughly 170,123 West Bank settlers and over 180,000 from East Jerusalem. At the same time, 49,400 Palestinians would be located in 38 villages and towns within the “seam zone”, between the Barrier and the Green Line, and over 500,000 Palestinians would live within 1 km of the Barrier, many of whom would have family, land and/or jobs on the other side. Indeed, the land falling within the seam zone is some of the most fertile in the West Bank. In addition, there are substantial water resources that will lie between the Barrier and the Green Line; for instance, the large settlements of Ari’el and Qedumim are built directly over the western mountain aquifer. According to a Palestine Monitor report, around 50 groundwater wells and over 200 cisterns in the West Bank had been destroyed or isolated from their owners by the Barrier by March 2005. Over 122,000 people used this water for their domestic and agricultural needs. The building of the Barrier had also entailed the destruction of 25 wells and cisterns and 35,000 metres of water pipes. At present, of the water available in West Bank aquifers, Israel uses 73 per cent and Jewish settlements in the West Bank use another 10 per cent, leaving 17 per cent for West Bank Palestinians (Palestine Monitor, 2005).

27. Access of Palestinians to land within the seam zone is through crossing points (agricultural gates and checkpoints) along the trajectory of the Barrier. This access tends to be restricted to certain times of the day (and often to certain seasons through the agricultural gates) and requires a valid permit. OCHA provides evidence of a tightening of the permit regime over 2005, with the proportion of permit applications rejected in Qalqiliya governorate rising from 25 per cent at the beginning of the year to 38 per cent by July (OCHA, 2006b). Moreover, security grounds have become a less prominent reason for permit refusal, with applicants now needing to provide proof of land ownership or a direct relationship to the owner of the land in order to obtain a permit.

28. In the case of Jerusalem, the movement of 230,000 Palestinians holding East Jerusalem residency permits – about a quarter of whom will be located to the east of the Barrier – will be greatly affected by the Barrier. West Bank Palestinians who do not hold a Jerusalem ID card now require a permit to enter Jerusalem, and are only able to use the four new Barrier crossings into the city (Qalandiya, Shu'fat Camp, Ras Abu Sbeitan and Gilo) out of the 12 existing routes and crossings to Jerusalem from the West Bank. These Barrier crossings consist of large structures with extensive security checks for pedestrians and vehicles, requiring drivers to stop and exit their vehicles at least once during the crossing. The cumbersome permit application process combined with the new crossing procedures will substantially increase the travel time and costs for those Palestinians who are granted permits to travel to Jerusalem, making Palestinian access to the city much harder, whether it is for health care, education, visiting religious sites, or for work purposes.

Box 2.2.
Cutting off Bethlehem

The historical city of Bethlehem is a place of pilgrimage for Christians, Muslims and Jews alike. Its Council consists of eight Christians and seven Muslims, with a Christian mayor. Tourism has customarily been the driving force of the local economy, in addition to income earned from Bethlehem workers in Jerusalem and Israel. Traditionally, the spiritual, cultural and economic lifeline of Bethlehem has been tied to nearby Jerusalem, allowing residents of both cities to visit their holy sites freely. Today, Israel's Separation Barrier – an 8 m high concrete wall snaking around two sides of the city – and a multitude of other closures and security measures are systematically severing this link. Prior to the start of the second intifada in September 2000, Bethlehem's economy benefited from an average of around 100,000 tourist arrivals per month. Following the start of the intifada this figure plummeted as tourists were fended off by severe closure. Although easier access procedures for tourists were put in place in time for Christmas last year, the Mayor of Bethlehem believes that tourism now only contributes 15-20 per cent of its pre-intifada levels to the city's economy. Very few visitors to Bethlehem now stay overnight, so the city itself benefits very little; Bethlehem's remaining hotels are all but deserted. Small businesses such as souvenir factories and shops have also suffered immensely from the closure. Coupled with the demise of Bethlehem's tourist industry, only 5 per cent of its residents who used to work in Israel are now granted permits. Unemployment has soared and emigration is on the rise. Without recourse to other opportunities, many university graduates now settle for work as municipal cleaners.

"We now live in a very big prison", Mayor of Bethlehem, April 2006.

2.3. Gaza and external closure

29. The unilateral Israeli disengagement from the Gaza Strip that started on 15 August 2005 and concluded on 12 September marked the end of the Israeli presence within Gaza for the first time since the Six-Day War in 1967. It also put an end to Israeli impediments to Palestinian movement inside Gaza. The lifting of internal closure has been associated with a decline in unemployment in Gaza, from 34 per cent in the first quarter of 2005 to 28.2 per cent by the fourth quarter (PCBS, 2006a).

30. However, movement of Palestinian goods and people out of Gaza has remained tightly controlled since disengagement, with recent months witnessing an intensification of external closure of the territory. On 15 November 2005, an Agreement on Movement and Access was reached between the Government of Israel and the Palestinian Authority “to promote peaceful economic development and improve the humanitarian situation on the ground”. The main elements of the agreement focused on establishing an international crossing at Rafah, along the Gaza-Egypt border, that would put the Palestinian Authority in charge of entry and exit of people, increasing Palestinian exports through Karni by enabling the processing of 150 truck loads per day, and facilitating movement within and between the West Bank and Gaza. To date, limited headway has been made on implementation of the agreement. The Rafah passenger crossing has indeed been transferred to joint Palestinian/Egyptian control, with a contingent of EU monitors at the border, and opening hours and passenger numbers have increased; however, the main crossing points to Israel at Erez (for passengers) and Karni (for goods) have both been subject to tight restrictions and extensive closure. In addition, there have been no further discussions on the bus convoys between Gaza and the West Bank that were envisaged in the agreement, nor on the reopening of Gaza airport, whilst fishing remains restricted to 10 nautical miles from the Gaza coastline, compared to the 20 nautical miles that were allowed under the Oslo accords.

31. Since disengagement, most imports into Gaza and all exports pass through the Karni crossing, ⁷ using back-to-back trucking (as within the West Bank). As it stands, this Israeli-imposed transportation system increases costs and delays, affecting competitiveness and predictability, in addition to imports, by preventing the importation of lower-cost production factors and inputs. ⁸ Unpredictable and increasingly frequent closure of the Karni crossing by the Israelis, purportedly for security purposes, ⁹ has led to large fluctuations and a general downward trend in Gaza’s access to external markets (figure 2.1). Monthly truck load imports at Karni have been consistently lower in the post-disengagement months than prior to September 2005. Truck load exports from Karni, a mere fraction of imports, have also continued to fluctuate over the period in question, peaking at 1,445 truck loads in December 2005, with a trough of 199 truck loads exported in the month of March 2006. In early 2006, the IDF cited intelligence on the existence of a possible tunnel leading to the crossing as the reason for extensive closure of Karni. Close cooperation by the Palestinian Authority with the Israeli authorities failed to uncover any such tunnel, yet opening of the crossing remains sporadic. In addition to the humanitarian crisis that began to emerge as Gaza ran out of

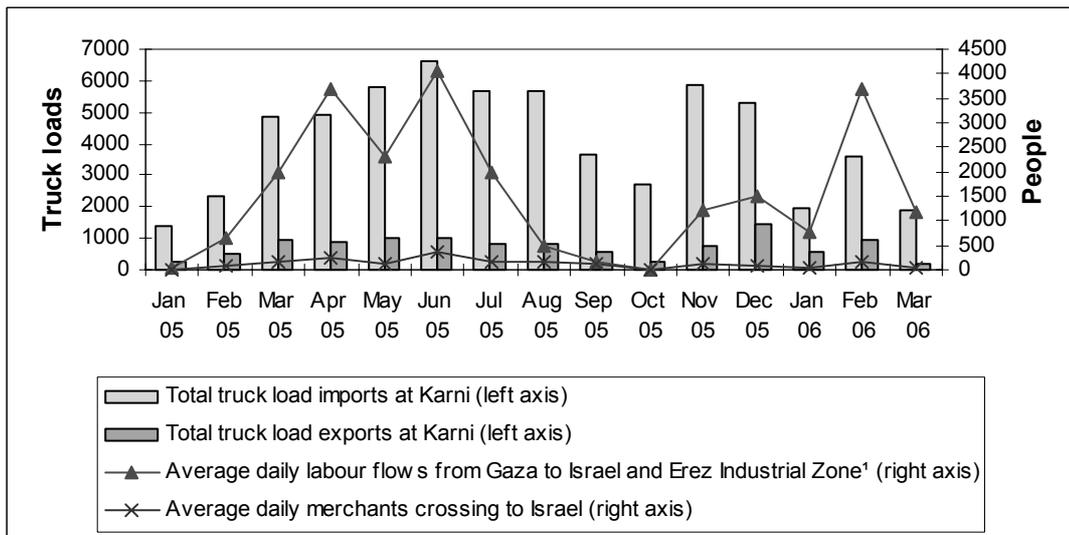
⁷ There are other crossings for imports into Gaza only.

⁸ For instance, prior to September 2000, Palestinian producers used to pay 100-150 shekels to transport their products from Nablus to Ramallah in Palestinian trucks. Now it costs between 600 and 700 new Israeli shekels (NIS) to transport the same quantity the same distance (PalTrade, 2005).

⁹ The Coordinator of Government Activities in the Territories asserted that the Karni crossing is not closed as a matter of policy, rather as a result of specific security warnings (COGAT, 2006).

basic foodstuff imports, economic reverberations have abounded from the closure, which reduced exports to a trickle. Inability of Palestinian exporters to meet delivery deadlines and perishable agricultural produce (the bulk of Gaza’s exports) going to waste at closed crossings are evidence of the damage closure causes to the prospects for sustained economic improvement. Even prior to the more recent closures, a 2003 Amnesty International report found that “Palestinian products often faced delays at borders and Israeli ports, increasing cost and reducing their competitiveness on external markets” (Amnesty International, 2003).

Figure 2.1. Mobility in Gaza: Goods and people



¹ The Erez Industrial Zone ceased to operate from 11 September 2005, following the Israeli disengagement. Source: OCHA database, 2006.

32. Labour flows through Erez have also witnessed a similar downward trend since the third quarter of 2005, reflecting the intensity of the external closure regime, as well as the shutting of the Erez Industrial Zone, which ceased all operations following the disengagement. Internal and external violence after the disengagement has limited the capacity of investment in Gaza to absorb labour displaced from Israel. Continued lack of access to external markets for Gazan labour (and goods) is serving to negate and indeed outweigh the immediate improvements brought about by the lifting of internal closure.¹⁰ The mission heard that job loss among men is the proximate cause of a significant increase in demand for micro-loans from women in Gaza.

¹⁰ Owing to closure, some enterprises are faced with very high levels of absenteeism and labour turnover, which regularly necessitates the hasty recruitment of new employees (sometimes at the expense of qualifications and skills) and additional training. Needless to say, this burdens enterprises with additional costs that affect the quality of their services and their competitiveness.

Box 2.3.
ICRC humanitarian relief and livelihoods

In the execution of its own mandate, the International Committee of the Red Cross has helped people in the occupied territories resume and pursue activities which will enable them, if they are allowed, to work for their living and feed themselves without having to rely on aid.

In the Gaza Strip, where fishing is a vital sector of the economy, the ICRC helps fishers from Khan Younis and Rafah rehabilitate their boats. It supports the repair of greenhouses by farmers who fled Israeli incursions around Rafah or who have been unable to market their produce owing to restrictions on movement and military operations. The economy will need years to recover, it says, even after the Israeli withdrawal.

In the occupied Syrian Golan, the ICRC helps apple farmers market their produce in the Syrian Arab Republic, by transporting it across a zone that is closed to the producers themselves.

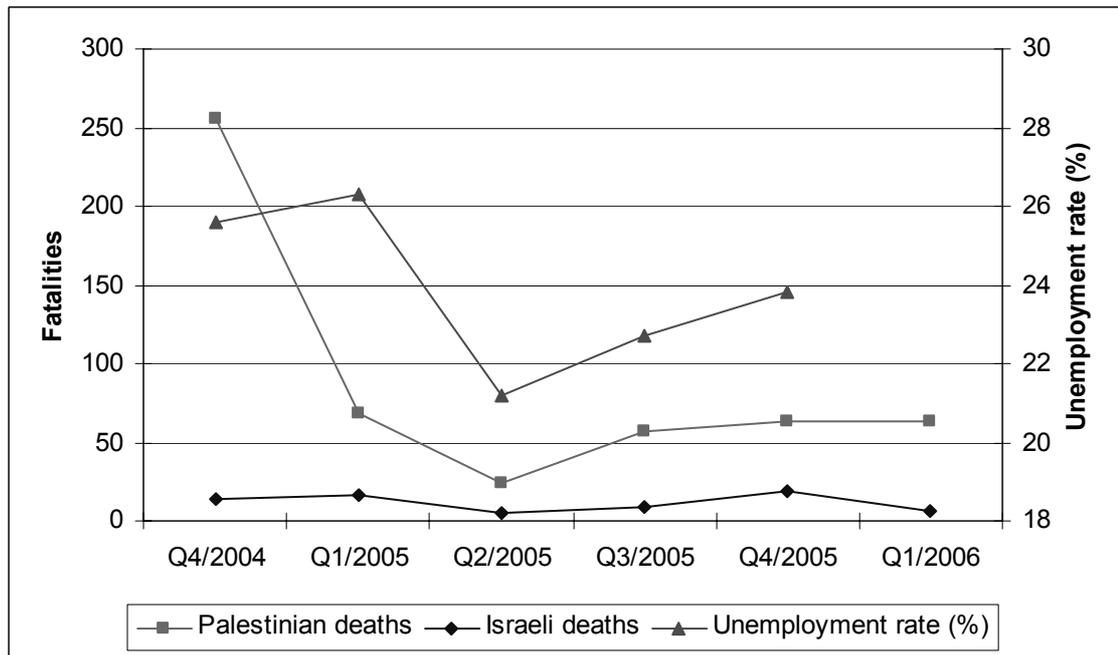
2.4. Human losses in the conflict

33. Military occupation and the ensuing conflict between Israel and the Palestinians have resulted in numerous injuries and fatalities on both sides, particularly since the start of the second intifada in September 2000. Fatal casualties from the conflict can be viewed as a proxy for its intensity.

34. Human Rights Watch in its 2005 report notes that the IDF had conducted criminal investigations into fewer than 10 per cent of Palestinian civilian deaths perpetrated by the army since September 2000, thus fostering a culture of impunity (Human Rights Watch, 2006). The indiscriminate killing of Israeli civilians by Palestinian armed groups and suicide bombings is strongly condemned by the United Nations, by Human Rights Watch and by President Abbas. The Israeli army has killed over 3,300 Palestinian civilians, including 690 children, since 29 September 2000 (to 10 April 2006); Palestinians have killed 699 Israeli civilians over the same period (B'Tselem, 2006).

35. As figure 2.2 shows, Israeli civilian and military casualties, which had fallen from 38 in the fourth quarter of 2003 to 14 in the fourth quarter of 2004, remained at comparable, and even lower, levels in 2005, peaking at 19 in the fourth quarter before falling back down to 6 in the first quarter of 2006 (*ibid.*). Palestinian deaths, although still substantially higher than Israeli casualties, fell drastically in the first half of 2005 from the 150-250 deaths witnessed in each quarter of 2004. This was accompanied by a five-percentage-point reduction in Palestinian unemployment. In the second half of 2005, Palestinian casualties and unemployment both rose again, but remained below their 2004 levels.

Figure 2.2. Fatalities and Palestinian unemployment



Sources: B'Tselem, 2006; PCBS, 2006a.

36. The IDF records attacks carried out by Palestinians and underscores the number of actions prevented.¹¹ According to the IDF, between October 2000 and November 2004, 135 suicide bombings were perpetrated, but 431 were foiled. Between October 2000 and March 2006, some 300 hand-made rockets were fired from Gaza into Israel, particularly on the city of Sderot. In April 2006 (up to 22 April) an additional 81 rockets were fired towards Israel.

37. The co-linearity between the trends in Palestinian unemployment and fatal casualties reinforces the view that the economic situation in the occupied territories is intrinsically linked to the conflict. A higher degree of conflict, reflected in a higher casualty toll, leads to a lower level of economic activity, which is in turn translated into a higher level of unemployment.

38. Higher levels of conflict and closure also place a greater economic and psychological burden on Palestinian women, who not only remain primarily responsible for running the household and caring for family members, but also increasingly engage in informal employment or self-employment activities to supplement their household incomes.

¹¹ Information available at www1.idf.il. From 1 Jan. to 25 Apr. 2006, 90 attacks were prevented (COGAT, 2006).

39. External closure of the territories defines the flow of Palestinian workers into Israel and the volume of trade between the West Bank and Gaza and with Israel and the rest of the world. The internal closure that prevails within the West Bank further impacts on economic and employment opportunities and has significant humanitarian consequences. By restricting trade and labour movements, closure lowers household incomes, forcing reduced consumption patterns that feed through to local businesses. Job and income losses aggravate unemployment and poverty, leading Palestinians to revert to unsustainable coping mechanisms, including decreasing consumption, relying more on credit and aid and even selling assets. In addition, to offset the setback imposed by the restrictions on movement to Israel and within the West Bank itself, there is a growing tendency to replace jobs lost in Israel and the settlements with “localized jobs” relying on unpaid labour in family businesses and/or self-employment initiatives. An ongoing shift from wage employment to self-employment is reflected in all economic sectors.¹² This emerging pattern of “trade localization” (UNSCO, 2005) is characterized by the development of new shops and services that are locally available and that replace traditional urban centres that can no longer be reached. On the other hand, recent experience shows that easing of closure measures has been associated with improvements in economic and social indicators.

2.5. Settlements: Expansion and evacuation

40. The construction of housing and other infrastructure on occupied Arab land for the exclusive benefit of Jewish populations is one of the most contentious issues in the conflict. Nobel Peace Prize winner Jimmy Carter has recently written: “The pre-eminent obstacle to peace is Israel’s colonization of Palestine” (*Haaretz*, 2006).

41. On 12 September 2005, the Israeli army completed the evacuation of all settlements from the Gaza Strip, amounting to a population of approximately 9,000 settlers. All Israeli military forces were withdrawn from within Gaza. According to the IDF, this move put an end to 38 years of military “presence” in the Gaza Strip (IDF, 2005).

42. At the same time, construction and expansion of settlements continued in the West Bank, reaching an estimated total of 248,000 settlers at the end of 2005, an increase of 12,000 over 2004 (table 2.2). Four small settlements were evacuated in the northern West Bank at the same time as the Gaza disengagement.

¹² According to PCBS labour force data, between the fourth quarter of 1999 and the fourth quarter of 2003, self-employment rose from 38.6 to 42 per cent. Furthermore, the results of the PCBS Establishment Census 2004 indicated that the total number of establishments in 2004 had increased by 18.2 per cent from 1997.

Table 2.2. Israeli settlements in the occupied Arab territories

	1995	2000	2002	2004	2005 ⁴
West Bank¹					
Population (in '000)	129.2	191.6	212.9	235.7	248.0
No. of settlements	122	122	123	123	119
Settlers as % of total population in area		9.5		10.2	
Gaza¹					
Population (in '000)	5.0	6.7	7.3	8.2	0
No. of settlements	16	16	16	16	0
Settlers as % of total population in area		0.6		0.6	0
East Jerusalem³					
Population (in '000)		172.3		175.6 ⁵	
No. of settlements	n.a.	14		14	n.a.
Settlers as % of total population in area				45.0	
Golan²					
Population (in '000)	13.0	15.1	15.5	16.1	16.4
No. of settlements	31	32	32	32	
Settlers as % of total population in area	42.9			42.5	

Notes: n.a.: not available. ¹ Denominated as "Israelis in Jewish localities" and "Jewish localities" by the Central Bureau of Statistics. ² Denominated as "total population" and classified by religion by the Central Bureau of Statistics. ³ Population classified by religion. ⁴ ILO estimates. ⁵ Data refer to 2003.

Sources: Central Bureau of Statistics: *Statistical Abstract of Israel*, various years, table 2.7; data for East Jerusalem from the Jerusalem Institute for Israel Studies: *Statistical Yearbook of Jerusalem*, 2005.

43. Over the period 2000-04 the settler population in the West Bank increased at an average annual rate of 5.3 per cent, compared to 1.9 per cent for the total population of Israel. As at the end of 2004, the number of settlers in the West Bank was equivalent to one-tenth of the number of Palestinians in the West Bank and 3.4 per cent of the population of Israel. In the occupied Syrian Golan, settlers account for 43 per cent of the total population. The rate of growth of the settler population in the occupied Syrian Golan is 1.6 per cent over the period 2000-04.

44. Settlements, under the protection of the Israeli army, take up land for housing, roads, infrastructure and cultivation, as well as water. Settlements within the occupied territories breach various United Nations Security Council resolutions (such as resolution 465 of 1 March 1980 calling on Israel "to dismantle the existing settlements and in particular to cease, on an urgent basis, the establishment, construction and planning of settlements in the Arab territories occupied since 1967, including Jerusalem"). Likewise, the Road Map of 30 April 2003 called for the "freezing" of all settlement expansion, including natural growth of settlements.

45. On the contrary, settlements have expanded, in regard to both area and population. Data published by Israel on “construction in Jewish localities” in Gaza and the West Bank suggest a continuing high pace of activity, with some 3,500 dwellings under active construction at the end of 2005, a slight decline over 2004 (table 2.3). Settlements in the West Bank and in the occupied Syrian Golan are highly subsidized by the Government of Israel. Construction is primarily funded by public investment (62 per cent in 2005) in contrast to the situation in Israel, where the contrary is observed. The Government of Israel extensively subsidizes housing and public services in settlements.

Table 2.3. Construction of dwellings in Jewish localities in the occupied Palestinian territories

	2003	2004	2005
Construction completed	2 376	1 723	1 729
Construction begun	2 057	1 921	1 666
Under active construction at end of period	4 101	4 014	3 538

Note: Data exclude Gaza as of August 2005.
Source: Central Bureau of Statistics (Israel): *Monthly Bulletin of Statistics*, No. 3/2006, table O/4.

46. The implications for the Palestinian and Arab populations are threefold. First, the occupying force appropriates land and water for the benefit of the settler population. Second, the expanding road network linking settlements to each other and with Israel, access to which is mostly prohibited to the Palestinian population, makes transportation within the West Bank for its population increasingly difficult. Third, settlements, roads for settlers and military zones limit the expansion of Palestinian and Arab villages, cities and areas.

47. The situation is compounded by the building of the Separation Barrier around the major settlement blocs rather than on the 1949 armistice line (the “Green Line”). It is estimated that three-quarters of the West Bank settler population will be included west of the Barrier (Peace Now, 2005). The routing of the Barrier around the major settlements undermines the argument that its primary purpose is the prevention of attacks against Israel from the West Bank.

48. Settler violence against Palestinian civilians and their property remains a recurring problem, as noted by the United States Department of State.¹³ In his report to the United Nations General Assembly, the Special Rapporteur of the Commission on Human Rights notes that prosecution of settlers committing acts of violence against Palestinian civilians is rare, suggesting some measure of impunity (United Nations, 2005).

2.6. Discrimination in occupied East Jerusalem

49. In East Jerusalem, annexed unilaterally by Israel in 1967, settlement has continued, with an estimated population of 176,000 in 2003, or 45 per cent of the total population of East Jerusalem. The construction of the Separation Barrier is physically isolating East Jerusalem from the rest of the West Bank. Various measures are being used to achieve that objective. Residency permits are renewed only sparingly. Entry into Jerusalem is increasingly restricted to four main gateways. Access to jobs, universities and services in Jerusalem for West Bankers is gradually being closed off. Families holding different

¹³ “Killings by Palestinian and Israeli security forces and by Israeli settlers and Palestinian militant groups remained a serious problem” (United States Department of State, 2005).

permits are being separated. The expansion of settlements around East Jerusalem with direct road links to the city will incorporate a larger Israeli population into the municipal limits while excluding Palestinians from those same limits. It further compromises territorial contiguity between the north and south West Bank and between East Jerusalem and the West Bank. The International Crisis Group has observed that these developments undermine a viable two-state solution and Israel's own security (International Crisis Group, 2005).

50. Within East Jerusalem, Palestinians (230,000 at end 2003) holding Jerusalem (blue) identity cards face widespread discrimination in access to housing, land and building permits, with regular expropriations, as well as in the availability of public services and infrastructure. A recent study has estimated a difference of one to four in spending on services per person between Arab and Jewish Jerusalemites.¹⁴

51. In terms of the ILO's standards and rights, there is abundant evidence of discrimination among the population, women and men, in respect of access to employment and occupation.¹⁵ Such discrimination appears to be based on religion, ethnicity, political opinion, national extraction and social origin and is contrary both to the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and the ILO Declaration on Fundamental Principles and Rights at Work.

2.7. Occupied Syrian Golan

52. The situation of the Syrian Arab people in the occupied Syrian Golan has not improved since the assessment made in 2005, and discrimination against the Arab Syrian inhabitants of five villages in the Golan has persisted.

53. Initially, 80 per cent of the population worked in agriculture, which was the backbone of the economy in that region. At present, agriculture is no longer the sole source of income, owing to the agricultural crisis that pushed farmers' children to seek other employment opportunities, for example by becoming wage workers in Israel or training to become engineers, doctors or teachers. Today, only 10 per cent of the Syrian Arab population in the occupied Syrian Golan are full-time farmers, 60 per cent are part-time farmers and do other jobs, while 30 per cent perform other non-agricultural activities.¹⁶ Workers who identify themselves as Syrian still receive no social security or other social protection for themselves and their families. They are also subject to discrimination in terms of access to employment and wages, and are constantly at risk of arbitrary layoff by Israeli employers.

54. In 2005, 5,000 tons of apples were transported across the border to markets in the Syrian Arab Republic under a system of back-to-back trucking, using ICRC vehicles. The same procedure has been followed in 2006, with an increase in the shipment quantity to 10,000 tons out of an estimated annual production of 40,000 tons. This process is facilitated by the Israelis. The prices of apples in 2006 have also increased by 30 per cent, but still remain barely sufficient to cover production costs.

¹⁴ Meir Margalit: *Discrimination in the heart of the Holy City* (Jerusalem, International Peace and Cooperation Center, 2006), quoted in *The Economist*: "The last conquest of Jerusalem", 15 Apr. 2006.

¹⁵ See OCHA: *Humanitarian Update*, Feb. 2006.

¹⁶ All figures in this section were provided by members of the Syrian Arab community of the occupied Syrian Golan during the discussion held with the ILO mission on 2 Apr. 2006.

55. The unilaterally imposed borders with the Syrian Arab Republic are closed all year round and open only for very limited purposes, namely religious visits of pilgrims, students studying in Syrian universities and transportation of apples by the ICRC.

56. The battle for resources in the occupied Syrian Golan remains omnipresent. Following the return of 400 dunams (40 hectares) of land by the Israeli courts in 2005 after 20 years of legal conflict, one additional success story was reported, in which 43 dunams out of a total 350 dunams were returned after ten years of legal arguments. However, discrimination in the provision of water resources and the infrastructure to cultivate the land prevails in favour of Israeli settlers, who receive heavy subsidies for land and water. Furthermore, in an effort to force Syrian Arab farmers off their land, Arab ownership of the land is continually challenged by the Israeli authorities, leading to uprooting and reclaiming of the land by government authorities (see ILO, 2005). Lately, a new method of confiscating land is being implemented by the Israeli authorities: declaring the land a “nature reserve” and forbidding farmers from cultivating it (for example, 1,000 dunams in Ein Quineyye have been declared a nature reserve). Moreover, exceptional offers are being made to Jewish settlers to motivate them to take up residence in this region (in the area of Qatzrin, for instance, a dunam of land is sold for NIS250).

57. The authorities of the Syrian Arab Republic have yet again reported continuing destruction of fruit trees belonging to Syrian Arab farmers, as well as the dumping of nuclear waste in 20 places, mainly in Nashbah on top of Mount Hermon, affecting the fertility of the land and the animals and population living on it (Governor of Quneitra, 2006).

58. The Syrian authorities requested that the ILO undertake technical cooperation to obtain more decent work for the Arab people in the occupied Syrian Golan. They called for a more systematic and detailed examination of the Director-General’s Report to the International Labour Conference, with a follow-up mechanism which would enable the ILO to cooperate with other international agencies in establishing technical programmes so as to guarantee the rights of those employers and workers in accordance with international labour standards

3. An economy under occupation

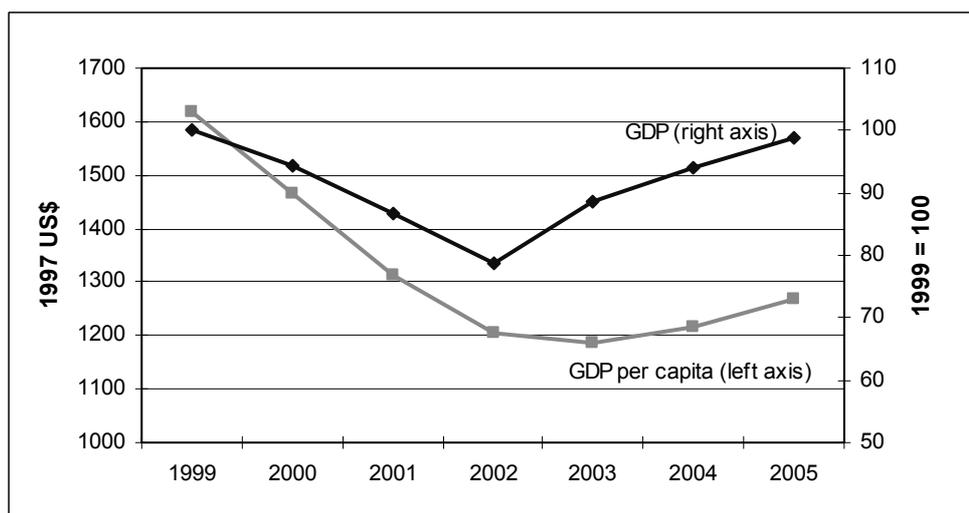
59. In earlier reports on the situation of workers of the occupied Arab territories (ILO, 2005, paragraph 52), the ILO has observed, along with other international observers (World Bank, 2003; OCHA, 2006c; United Nations, 2005), that the root cause of the deep crisis in the Palestinian economy originated in the tight system of external and internal closures imposed by the occupying power over extensive stretches of Palestinian life, activity and land. As noted by the World Bank in December 2005, “The inability of the Palestinian economy to fully use its productive potential is first and foremost the result of restrictions on the movement of people and goods”(World Bank, 2005, paragraph 29). In April 2006, the ILO mission found that this assessment remained entirely valid.

60. Manifold restrictions on the movement of Palestinian persons and goods within the West Bank, between the West Bank and Gaza, and between them and Israel and the outside world constitute overt discrimination and an impediment to the exercise of basic human rights in the economic, social and labour spheres.

3.1. Economic rebound weakens

61. In 2005, the economy pursued the upward trend started in 2004, following the trough of 2002 and 2003. Economic output is estimated to have increased by between 4 and 6 per cent (PCBS and World Bank estimates).¹⁷ In real terms, GDP (excluding East Jerusalem) was estimated in 2005 to be 1.2 per cent lower than the 1999 pre-intifada level. However, during those six years, the Palestinian population in the territories increased by 24.6 per cent. As a result, in 2005 real GDP per capita was still 21.6 per cent below its 1999 level, as indicated in figure 3.1.

Figure 3.1. Trends in GDP and GDP per capita



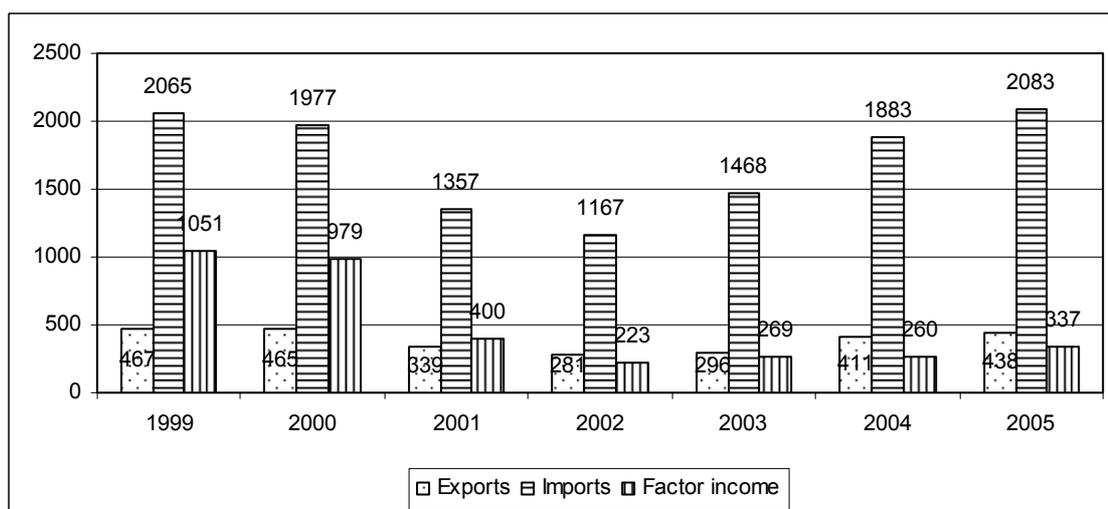
Note: data exclude East Jerusalem.
Source: PCBS, 2006b.

¹⁷ World Bank, 2005; PCBS national accounts estimates for 2005.

62. In 2005, four main sources of economic growth can be identified. First, the Palestinian Authority has pursued an expansionary fiscal policy. Total public employment increased in 2005, salary rises were awarded in July 2005 (15 per cent on average) and income transfers were raised. This policy has entailed positive social effects in view of the dire economic situation prevailing in the territories. However, it is not sustainable, as the Palestinian Authority is faced with an acute liquidity crisis. The fiscal deficit is estimated by the International Monetary Fund (IMF) in 2005 at -16.7 per cent and -8.8 per cent of GDP, before and after donor budget support, respectively (IMF, 2005).

63. Second, the number of Palestinian workers permitted to enter Israel increased in the first half of 2005, thereby raising the incomes and consumption spending of those households. The total wages (recorded as factor income) of Palestinians working in Israel increased by 29.6 per cent in 2005, reaching US\$337 million (figure 3.2). Compared to the pre-intifada situation, there has been a decline of 67.9 per cent. On a quarterly basis, Palestinian wages earned in Israel display an upward trend in the first half of 2005, reaching US\$113 million in April-June, followed by a decline to US\$58 million in October-December 2005.

Figure 3.2. Palestinian trade with Israel
(goods, services and labour, million US\$)



Note: Factor income as recorded in the balance of payments data published by Israel is the wage amount paid to Palestinian workers working in Israel but residing in the occupied territories.

Source: Central Bureau of Statistics, Israel: *Monthly Bulletin of Statistics*, various years (table G/2).

64. Third, Israel's own economy registered robust growth in 2005 (at over 5 per cent, linked inter alia to an improved security situation) (Bank of Israel, 2005), with a consequent increase of 6.6 per cent in Palestinian exports to Israel in 2005.¹⁸ The trend for Palestinian exports over the year 2005 is similar to that observed for Palestinian wages in Israel.

¹⁸ It is recalled that Palestinian exports to Israel account for over 90 per cent of total exports. Palestinian imports from Israel account for over 70 per cent of total imports.

65. Fourth, there was strong growth in domestic bank credit to the private sector, reaching US\$1,356 million in the last quarter of 2005, an increase of 27.5 per cent over the same period in 2004 (IMF, 2005). Credit is primarily directed at construction and housing. Credit to the private sector has risen to 28 per cent of GDP (ibid., December 2005). Compared to other countries in the region this ratio remains very low. Another indication of economic recovery is the Al-Quds index,¹⁹ which ended 2005 with a more than threefold increase over 2004.

66. Over the year 2005, economic growth was lacklustre in the first half of the year, picked up strongly in the third quarter (July-September), but receded slightly in the last quarter. This pattern reflects the evolving security and closures situation, which improved in April-June 2005, but significantly deteriorated in late 2005 following the withdrawal of the Israeli military from the Gaza Strip.

67. If the economy had sustained a rate of growth of 6 per cent per year between 1999 and 2005 (average GDP growth over the period 1995-99 was over 8 per cent), the level of GDP would have been some 44 per cent higher than what has actually been estimated for 2005. In addition, wages earned by Palestinians working in Israel amounted to over US\$1 billion in 1999 and dwindled to one-third of that in 2005. This significant gap, essentially attributable to the closures regime, has only partly been compensated by massive donor support, totalling US\$1 billion in 2005. The increase in donor funding has made it possible to sustain basic services and infrastructure, but has not matched the decline in economic activity. This has resulted in a sharp increase in unemployment, from 9.5 to 23.5 per cent, and in poverty, from 20 to 43 per cent, between 1999 and 2005.²⁰

68. It is worth considering not only the social and economic aspects, but also the political dimension of such unsustainably high levels of unemployment and poverty. While the success of Hamas in the 2006 elections to the Palestinian Legislative Council is no doubt the result of a combination of factors, it appears at least in part, according to some commentators, as an expression of desperation and a vote against a political establishment which was failing, for whatever reasons, to deliver even a minimum tolerable level of living standards, economic or physical security and integrity or employment and occupation for men and women in Palestine.

69. In early 2006 the outcome of the elections to the Palestinian Legislative Council and the tense security situation are likely to have dampened economic activity. The Palestinian Authority is faced with an acute fiscal crisis. This follows the Government of Israel decision to withhold the tax revenue collected on behalf of the Palestinian Authority as of March 2006 (some US\$50-60 million per month). Donors have indicated they would review their policy of budget support to the Palestinian Authority. In March 2006, the World Bank approved a US\$42-million grant to assist the Palestinian Authority in meeting short-term funding requirements of basic services (World Bank, 2006b).

¹⁹ A composite index of the market capitalization of ten major Palestinian companies, published by the Palestine Securities Exchange, at www.p-s-e.com.

²⁰ PCBS unemployment data and World Bank (2005 and 2003) poverty data. See paragraph 91.

Box 3.1.

The World Bank's four economic scenarios

The international community represented by the Quartet expects the new Palestinian Government, which took office at the end of March, to "commit to the principles of non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Road Map" (United Nations, 2006b). In the absence of these commitments, the Government of Israel (Gol) and donors are considering, and have already started implementing, a variety of economic responses. Gol has suspended the regular transfer of revenues it collects on behalf of the Palestinian Authority (PA); some donors have already announced their intention to cut various categories of foreign aid. Given the high dependence of the Palestinian economy on Israel and donor assistance, such measures could cause severe damage to the Palestinian economy. The World Bank has modelled four potential economic scenarios for the period 2006-08, as follows:

Scenario 1: No abrupt change. This baseline scenario assumes the resumption of transfer of revenues, the continuation of 2005 border trade management practices, and reduction of Palestinian labour flows to Israel in line with Israeli declarations to terminate permits by the end of 2007. Aid disbursements decline gradually after 2006.

Outcome: Economic prospects are not good. Real GDP per capita growth declines from 6.3 per cent in 2005 to 4.9 per cent in 2006, turning negative thereafter. By 2008, real incomes are 19 per cent lower than in 2005, unemployment has grown to 34 per cent of the workforce and poverty increased to 51 per cent of the population..

Scenario 2: Suspension of clearance revenue transfers, trade and labour restrictions. This assumes that revenue transfers from Gol to the PA continue to be withheld, that border trade is further restricted and that permits for Palestinian labourers are reduced considerably faster than under Scenario 1. Aid flows continue as under Scenario 1.

Outcome: A dramatic 21 per cent contraction of real GDP per capita in 2006, comparable to the rate of decline associated with the early intifada period. Unemployment jumps to 35 per cent in 2006 and to 45 per cent by 2008, with poverty levels reaching 70 per cent by the end of the period.

Scenario 3: Reduced aid flows. Economic policies are consistent with Scenario 1, but OECD donor assistance is reduced. Budget support decreases from US\$350 million to US\$300 million in 2006, and only US\$200 million in 2007 and 2008 as OECD support is withheld; emergency/humanitarian assistance increases by 20 per cent in 2006 to US\$600 million, peaking at US\$650 million in 2007; developmental aid disbursements decline from US\$450 million in 2005 to US\$200 million in 2006, tapering off to US\$100 million in 2008 as ongoing programmes gradually close.

Outcome: Although real GDP growth turns negative in 2006 and real incomes per capita decline by 7 per cent more than under Scenario 1, most other aggregates are only marginally worse than under that scenario.

Scenario 4: Suspension of clearance revenue transfers, trade and labour restrictions, and reduced aid flows. This assumes that all measures described in Scenarios 2 and 3 are applied.

Outcome: This is the worst scenario. Real GDP per capita declines by 27 per cent in 2006 and personal incomes by 30 per cent – a one-year contraction of economic activity equivalent to a deep depression. Unemployment hits 47 per cent and poverty 74 per cent by 2008. By the end of the period, the cumulative loss in real GDP per capita since 1999 will have reached 55 per cent.

Source: World Bank, 2006a

3.2. Employment recovers in a bleak labour market

70. The year 2005 registered a slight improvement in the employment situation (table 3.1), with 55,000 new jobs compared to 2004, including 13,000 in Israel. The labour force increased by 37,000 persons and the number of unemployed dropped by 18,000. On a quarterly basis, the rise in employment is especially notable in the second quarter of 2005. In the West Bank, a sharp decline in employment is observed in the fourth quarter, largely attributable to an intensification of the closures regime. In Gaza, however, the increase is sustained throughout the year, possibly linked to the military evacuation and the consequent opening of the Strip from north to south. Overall, on a year-on-year basis, the percentage increase in employment is higher in the West Bank (22 per cent) than in Gaza (15 per cent).

Table 3.1. Labour market indicators

	2004	2005				2005	2005/2004
		Q1	Q2	Q3	Q4	Year average	% change
Occupied territories							
Population aged 15+ ('000)	1 955	2 001	2 021	2 041	2 061	2031	3.9
Labour force ('000)	790	795	833	850	830	827	4.7
Employment ('000)	578	586	656	657	632	633	9.5
West Bank	370	418	477	467	444	452	22.0
Gaza	157	168	179	187	188	181	15.0
Israel and settlements	50	60	67	66	60	63	26.5
Unemployment ('000)	212	208	177	193	198	194	-8.5
Labour force participation rate (%)	40.4	39.7	41.2	41.6	40.3	40.7	0.8
Employment rate (%)	29.6	29.3	32.5	32.2	30.7	31.1	5.2
Unemployment rate (%)	26.8	26.3	21.2	22.7	23.8	23.5	-12.3

Source: PCBS quarterly labour force surveys.

71. It is important to note that the public sector (national and local government institutions) accounts for 23 per cent of total employment, 16.9 per cent in the West Bank and 38.1 per cent in Gaza. Such employment is at the time of writing directly affected by the inability of the Palestinian Authority to discharge its wage bill, due in large part to the retention of customs revenues by the Israeli authorities, as well as by the Palestinian Authority's loss of income from other sources. Employment in Israel accounted for 10 per cent of total employment in 2005.

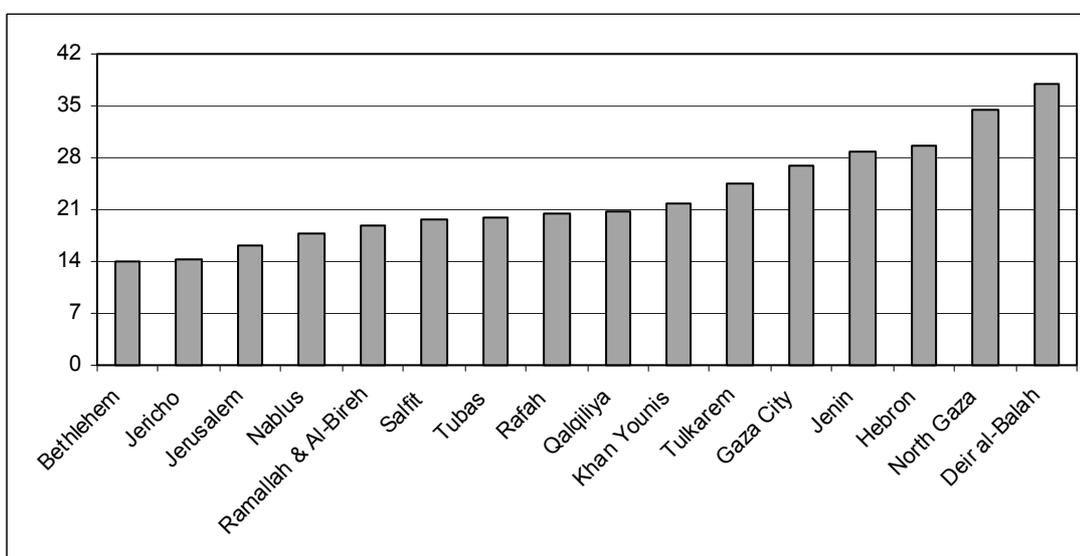
72. According to information provided by the Coordinator of Government Activities in the Territories, by 7 April 2005, at the time of the previous ILO mission, 27,003 permits out of a total quota of 28,077 had been granted to Palestinians from the West Bank to work in Israel, the settlements and Jerusalem; the corresponding figures for Gaza were 8,824 permits issued out of a total quota of 9,958. By 13 March 2006, 30,920 permits for West Bank residents had been issued out of a total quota of 32,371, while for Gaza residents, 4,961 permits had been issued out of a total quota of 5,400. In addition, 12,087 special permits for Palestinian business people were issued out of a total quota of 13,500, a 23 per cent increase over the past year (COGAT, 2006). These data do not reveal how

many issued permits could actually be used, given that closures frequently prevent their use. COGAT also estimates that 15-20,000 Palestinians work in Israel without a permit. More detailed monthly or quarterly data were not available to the mission.

73. The unemployment rate has dropped slightly in the West Bank by one percentage point to 20.4 per cent on an annual basis. The decline has been more significant in Gaza, to 30.4 per cent annually, a drop of almost 5 percentage points against 2004.

74. In the last quarter of 2005 the average unemployment rate (calculated according to ILO standards) was 23.8 per cent – lower than in the first quarter, but much higher than in the second quarter. There are wide variations in the unemployment rate between governorates/districts in the West Bank and in Gaza. Figure 3.3 ranks the governorates by increasing rate of unemployment, from the lowest (14 per cent in Bethlehem and Jericho) to the highest (North Gaza and Deir al-Balah (central Gaza)).

Figure 3.3. Unemployment rate by governorate/district
(percentages, fourth quarter 2005)



Source: PCBS, 2006a.

75. There is a strong contrast between the high unemployment rates in the north (Jenin) and south (Hebron) of the West Bank and in the centre and north of Gaza, and the much lower rates in the central West Bank and southern Gaza governorates. These variations can be attributed to local economic characteristics as well as to the intensity of internal and external closures and restrictions on movement and economic activity.

76. The unemployment rate of young persons (aged 15-24 years) is 1.6 times the average unemployment rate. As in most countries, unemployment in the occupied territories is higher for persons with fewer years of education and lower for those with higher education. But this is only true for men, as indicated in table 3.2. The highest unemployment rate in the last quarter of 2005 is for women with 13 or more years of education. Yet women accounted for more than half of all university graduates in 2002-03, as well as half of all information technology (IT) graduates in 2002-05 (Dakiki, 2005). Several factors are clearly at work here that require public policy attention. The public and private investment made in education is not returned to society and individuals when highly trained women are kept out of the labour market.

Table 3.2. Unemployment rate by sex and years of education (percentage)

Years of education	Male	Female
0	17.1	0.9
1-6	29.3	8.9
7-9	25.9	14.8
10-12	24.1	21.6
13+	16.8	33.7
Average	23.7	24.3

Source: PCBS, 2006a.

77. A PCBS survey confirms that higher education leads to lower unemployment, but also that vocational training is associated with higher unemployment (PCBS, 2006c). The orientation and quality of such vocational education can be questioned on the basis of this evidence, subject to further investigation.

78. As indicated in earlier ILO reports, in view of the depressed state of the economy, unemployment as measured by the ILO ²¹ may not be the best measure of available labour supply. The PCBS has introduced an alternative measure relaxing the “looking for work” criterion, including among the unemployed those workers without work but not actively looking for work owing to discouragement. The “relaxed” measure of unemployment was 29.4 per cent in the last quarter of 2005, compared to the ILO measure of 23.8 per cent. The difference of six percentage points amounted to 65,000 persons.

79. More indicative of the acute employment crisis prevailing in the territories is the very low employment to working-age population ratio. Data in table 3.3 show that in 2005 one male in two was employed in the Palestinian occupied territories, slightly less in Gaza and slightly more in the West Bank. One in ten Palestinian women aged 15 years and above was in employment, compared to only one in 20 in Gaza. These are very low rates indeed, higher than in 2002 at the height of the intifada crisis and the Israeli military response, but still much lower than in 1999. Female employment rates have historically been low in the entire region; however, they have declined even further with the crisis.

²¹ The ILO and PCBS apply three criteria: to be without work, available for work and looking for work.

Table 3.3. Employment to working-age population rate and economic dependency ratio

		Employment to working-age population rate (%)		Economic dependency ratio
		Male	Female	Total
1999	Palestinian territories	63.3	11.6	5.0
	West Bank	66.6	12.6	4.6
	Gaza	56.8	8.8	6.0
2002	Palestinian territories	46.9	9.9	6.5
	West Bank	48.5	12.8	5.9
	Gaza	43.9	4.3	8.2
2005	Palestinian territories	51.2	9.9	6.0
	West Bank	53.4	12.3	5.4
	Gaza	46.9	5.3	7.5

Notes: Data refer to last quarter of each year. "Working-age population" is the population aged 15 years and above. "Economic dependency" refers to the number of persons in the total population per employed person.

Source: PCBS quarterly labour force survey, various years.

80. If one applies the pre-intifada 1999 employment rates to the 2005 employment and population numbers, one derives much higher employment levels than those actually observed. If further one assumes that the difference between the actual employment levels in 2005 and the estimated levels based on 1999 employment rates are people who would have worked under more normal circumstances and are therefore unemployed today, even if not actively looking for work, the unemployment rate would be 40.7 per cent rather than the measured 23.5 per cent for 2005. This estimated disguised unemployment rate is much closer to the unemployment rate perceived by many observers met by the ILO mission who often referred to an unemployment rate of around 50 per cent in early 2006. This exercise serves to point to the exceptional severity of the labour market conditions prevailing in the occupied territories, which is likely not fully reflected in conventional labour market indicators.

81. Another measure reported in table 3.3 is the economic dependency ratio, or the number of persons in the total population per employed person. For the Palestinian territories this ratio has moved from an average of five dependants per employed person in 1999, to 6.5 persons in 2002 and 6 persons in 2005. The situation is only slightly less severe in the West Bank, with 5.4 dependants per employed person in 2005. In Gaza the numbers are truly dramatic, with 7.5 dependants for each person employed in 2005. Of course being employed is a guarantee of some income but says nothing about the level of that income.

82. This bleak analysis and the dismal prospects of decent employment for young people are alarming in terms of the risk of growth of unacceptable forms of child labour as described in the Worst Forms of Child Labour Convention, 1999 (No. 182), including work which is hazardous to health or morals and even recruitment for use in armed conflict or other illicit activities.

3.3. Trends in real wages

83. In 2005 almost 60 per cent of all employed persons were in wage employment; compared to 1999 this share has dropped by over 8 percentage points. The level and purchasing power of wages are naturally a critical determinant of living conditions. Table 3.4 displays the median²² daily wage (in new Israeli shekels) for wage employees by governorate/district for the year 2005. In spite of the relatively small population and territory, nominal wages show wide regional and sectoral variations.

Table 3.4. Median daily wage for wage employees by governorate/district
(in new Israeli shekels – NIS)

Governorate/district	Public sector	Private sector	Israel and settlements
West Bank	65.4	61.5	134.6
Jenin	57.7	50.0	115.4
Tubas	61.5	60.0	65.0
Tulkarem	61.5	50.0	100.0
Nablus	61.5	50.0	115.4
Qalqiliya	57.7	50.0	130.0
Salfit	57.7	57.7	150.0
Ramallah and Al-Bireh	71.2	70.0	100.0
Jericho and Al-Aghwar	57.7	51.9	60.0
Jerusalem	96.2	96.2	134.6
Bethlehem	67.0	70.0	120.0
Hebron	65.4	60.0	100.0
Gaza	65.4	40.0	–
North Gaza	65.4	46.2	–
Gaza City	61.5	40.4	–
Deir al-Balah	65.4	50.0	–
Khan Younis	63.5	35.0	–
Rafah	65.4	35.0	–

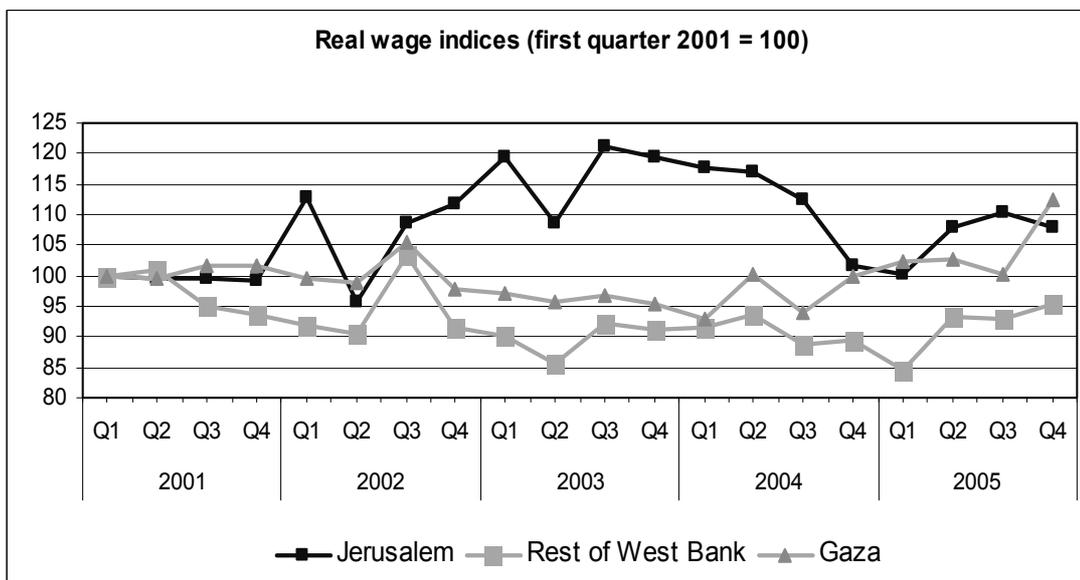
Note: – = no data.
Source: PCBS labour force survey database 2005 (unpublished data).

84. Public sector wages are on average 13 per cent higher than private sector wages. Wages of Palestinians working in Israel (or in Israeli settlements) are on average more than twice the average wage in the West Bank. These numbers alone explain the attractiveness of employment in Israel and of public employment in the territories. Private sector wages are significantly lower than public sector wages in Gaza, much more so than in the West Bank. The highest wages in the territories are found in Jerusalem and Ramallah, where public administration is concentrated. The lowest wages are in southern Gaza and the northern West Bank.

²² The median wage is the value at which half of the wage population earns more and the other half less.

85. Trends in real wages (figure 3.4) are calculated by adjusting nominal median daily wages by the consumer price index compiled monthly by the PCBS. Wages are adjusted separately by the relevant consumer price index for the West Bank, Gaza and Jerusalem, respectively. The wages of Palestinians working in Israel are adjusted by the Jerusalem consumer price index.

Figure 3.4. Trends in real median wages



Source: PCBS quarterly labour force surveys and consumer price index.

86. The overall trend since early 2001 is one of relative stability. Following a decline in real median wages as of the third quarter of 2003 in Jerusalem and in the West Bank (although not in Gaza) that continued throughout 2004, real wages have recovered some of the lost ground. In the last quarter of 2005, real median wages in the West Bank were at 95 per cent of their 2001 value.

87. In Jerusalem the purchasing power of wages actually increased by 8 per cent at end 2005 against their 2001 value. In Gaza real wages were on par with their value of 2001 during the first nine months of the year, and registered an increase of 12 per cent at the end of the year. A number of factors have influenced this trend, including disengagement and wage increases in the public sector.

3.4. Economic fragmentation and impoverishment

88. The manifold restrictions faced by Palestinians have led to economic fragmentation characterized by increasing localization of economic activity. Transport costs have soared and all manner of restrictions have been imposed on the movement of Palestinian-produced goods. A national trade development institution, the Palestinian Trade Center, publishes a regular “trade impediments” bulletin (PalTrade, 2005). Differential treatment is regularly observed between Israeli imports into the territories and Palestinian exports to Israel and abroad. Substantial losses are reportedly incurred by exporters of perishables (dairy products, fruits, vegetables, flowers).

89. With increasing restrictions on the movement of persons and the overall decline in Palestinian employment in Israel, local employment has emerged as a necessary substitute. Different manifestations of “localization” are observed (UNSCO, 2005).

There has been a general increase in self-employment and in unpaid family labour, offsetting the decline in wage employment. The number of small and micro-enterprises has grown, as well as local shops and services relying on locally produced goods. Over 90 per cent of establishments employ up to four workers. Agriculture has emerged as a fallback activity for all those whose usual employment or activity has either disappeared or declined. The movement of goods and customers has declined sharply.

90. More Palestinian women have entered the labour market in an effort to replace lost male wage income. Women are initiating various types of income-generating activities with the support of micro-credit institutions. There are some ten microfinance institutions in the Palestinian Microfinance Network serving close to 30,000 clients, approximately 44 per cent of whom are women. The Palestinian Businesswomen's Association (ASALA) is one member of the Network, offering "solidarity group" lending to some 2,000 women entrepreneurs. It is estimated that the aggregate demand for micro loans is of the order of 150,000, five times the current number.

3.5. Massive poverty

91. The end result of closures is a lower level of economic activity, less employment, lower incomes and consumption and consequently a higher incidence and severity of poverty. In line with overall trends pointed to in this Report, 2005 witnessed a mild improvement in the incidence of poverty, which remains a massive phenomenon affecting over four Palestinians in ten. The incidence of poverty was estimated by the World Bank at 20 per cent in 1999, rising to 61 per cent in 2003 and declining to 43 per cent in 2005.²³ In absolute terms, the population in poverty grew from 600,000 in 1999 to 1,600,000 in 2005, an increase of 1 million persons. The incidence of poverty has always been much higher in Gaza than in the West Bank (65 per cent and 38 per cent, respectively, in 2004). PCBS reports a higher incidence of poverty for 2004 based on an expenditure and consumption survey, with income poverty estimated at 53.7 per cent of the Palestinian population, 48 per cent in the West Bank (excluding East Jerusalem) and 65 per cent in Gaza (PCBS, 2005). Both sources use the official poverty line set at US\$2.10 per person per day. Within the West Bank, the incidence of poverty is higher in the south and in the north and lower in the central area.

92. The same PCBS analysis suggests that emergency assistance is effective in reducing the incidence and the severity of poverty – but only to a moderate extent. The share of assistance going to the non-needy, and consequently the poor who remain without emergency assistance, is still considerable. Total foreign public assistance is estimated by the World Bank at US\$1,100 million in 2005, or US\$297 of aid per capita, an increase of 63 per cent (in nominal terms) over the per capita level of 1999.

93. This provides yet further confirmation that nothing can replace broad-based economic growth in raising employment, incomes, consumption and welfare. This should be the pre-eminent objective of all concerned.

²³ World Bank (2005 and 2003) estimates based on macro-economic modelling. Data exclude East Jerusalem.

4. Social dialogue and its part in good governance

94. It is quite clear to the mission that dialogue and negotiation must be a driving force in any viable strategy for lasting peace and social justice in the occupied Arab territories. The unique contribution which the ILO can make to this process is to foster the growth of employers' and workers' organizations, alongside a labour administration which appreciates and pursues a tripartite approach to addressing the many social and labour challenges. The mission noted the firm conviction among many Palestinians regarding the role which those social organizations can play precisely in increasing governmental focus on the issues of safe and decent living and working conditions at this difficult and historic time.

95. The framework for this approach, in ILO terms, is provided by the ILO Constitution, with its emphasis on the combination of normative and cooperational actions; the ILO Declaration on Fundamental Principles and Rights at Work, which describes the role of the ILO in promoting the attainment of freedom of association and the effective recognition of the right to organize, the elimination of discrimination in employment and occupation, and the other fundamental rights; and the relevant international labour standards, in particular the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). This framework is valuable because it identifies core goals and policies for establishing and improving living and working standards. Moreover, the strong civil and political rights dimension of these rights at work can engender habits of discussion, dialogue and negotiation that eventually contribute to material progress in addressing men's and women's security needs of all kinds. There is no doubt, either, that the creation of such processes can only favour the crystallization of more reliable economic and social rights in a society where the rule of law is respected both internally and externally.

96. This year, because of the security situation, the mission was unable to visit Gaza. Video or telephone contact was made with the constituents in Gaza during the meetings with the Palestine General Federation of Trade Unions (PGFTU) in Nablus and the Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA). This reflected the general handicap under which the Palestinian social partners have to function, when normal everyday freedom of association involving contacts and communications among different unions and their branches and among different local chambers is made impossible by restrictions on movement, not only between the Gaza Strip and the West Bank but, ever more intrusively, also within the West Bank. Such restrictions are undoubtedly a severe complication in the internal democratic governance of social partner organizations. Separate meetings were held by the mission with the Democracy and Workers' Rights Center (DWRC) in Ramallah, and the Nablus Chamber of Commerce and Industry.

97. The PGFTU in both Gaza and Nablus provides a comprehensive critique of the material difficulties facing workers and their families in terms of physical attacks by the Israelis, closure of passages and deprivation of all manner of produce and goods, and loss of jobs not only in Israel (including sometimes illegal withholding of wages by employers, against whom there is no practical redress) but now also in the occupied territories, since enterprises have had difficulties in securing raw materials, and revenue for public services has declined. Increased unreliability and insecurity of movement to

and from work caused by Israeli restrictions (especially “flying checkpoints”) has led to a worsening of the psychological and physical harassment of workers. The PGFTU had had no contact from the newly appointed Palestinian Authority. The planned national tripartite conference has not yet taken place. A PGFTU national congress was envisaged for 2006-07, following the completion of elections in affiliated unions, which have meanwhile been progressing. Women’s rate of participation in the unions was some 20 per cent.

98. The mission noted that the difficulties encountered by employers and their organizations (the local chambers of commerce and the FPCCIA) and their respective interests seem increasingly to converge with those of the workers. Restrictions on the internal movement of goods place unbearable pressure on Palestinian enterprises and agricultural producers; and although in general no legal action could be taken against the Israeli authorities responsible for failures to meet contract delivery deadlines, the FPCCIA did envisage instituting proceedings in respect of the illegal withholding of customs revenues. Those restrictions also made it impossible for local chambers to carry on mutual relations, exchanging experience, know-how and good practices. The FPCCIA noted that loss of employment among Palestinian men could in some circumstances lead to increased activity of women, including in business start-ups, but pointed in general to the need to address the high level of graduate unemployment by promoting Start-Your-Business programmes. No contact had been made by the newly appointed Palestinian Authority; the mission was told that moves to deprive the Authority of income would impact on workers’ and employers’ organizations, which would lose support as a result.

99. Progress continues to be made by the social partner organizations in terms of their internal democratization, and elections have been held in several of the constituent bodies on both sides. For both workers and employers, however, draft legislative reforms submitted to the previous Palestinian Legislative Council (PLC) raised a number of issues for the FPCCIA, the PGFTU and other Palestinian organizations interested in workers’ rights and human rights, and indeed also in relation to the international principles and rights relating to freedom of association and the right to organize to which the ILO is committed. It is understandable that normal democratic processes cannot operate in a country which is under military occupation; however, all observers and participants agree that the January 2006 elections to the PLC were conducted in a remarkably free and transparent fashion. There would thus appear at present to be some aspects of the rights of employers’ and workers’ organizations which it may be within the capacity of the Palestinian institutions themselves to address, even though the dominating and defining problems derive directly from the fact of occupation, and both the employers’ and workers’ organizations would thereby become more manifestly empowered and have a stronger mandate. The mission considers that the ILO, as well as the Israeli and Palestinian authorities, might be able in their own ways to facilitate those election processes – all of them, for the reasons given above, having a strong interest in their success.

100. In its meetings with community members of the occupied Syrian Golan and, later on, with representatives of the Government of the Syrian Arab Republic and the social partners in Damascus, the mission was struck by the continuing inability of the workers and farmers in the occupied Syrian Golan in any substantial way to exercise their right of association and organization to protect and promote their interests. For those people, the situation is made worse by the physical damage and uncertainties for Arab workers and their families caused by arbitrary and discriminatory interventions by the Israeli

authorities, including confiscation of land and loss of livelihoods against which there is no credible legal means of redress. The risk is of complete destruction of entire Arab communities, since no work or income is available and young people have no alternative but to seek employment either in Israel or elsewhere. The possibility of self-organization and collective action in accordance with international labour standards would be a normal and useful means for people in the occupied Syrian Golan to assert and reclaim their rights.

101. The mission's discussions with the Manufacturers' Association of Israel and the General Federation of Labour in Israel (Histadrut) took place immediately after the Israeli general elections on 28 March, which heightened the prevailing mood of political, economic and security-related uncertainty. Histadrut representatives wished to see positive developments in the form of increased electoral support for a social agenda, with a possible opportunity for Israel to shift towards social spending as opposed to, for example, expenditure on West Bank settlements; the peace process would be best served by economic progress and social justice. But they linked employment opportunities of Palestinians to security considerations, which had deteriorated with the installation of the new Palestinian Government. The Manufacturers' Association of Israel feared that, while the Palestinian economy was increasingly dependent on Israel, Israel was less and less reliant on Palestinian labour, and this process would be hard to reverse. A meeting with members of the Industrial Relations Research Association of Israel raised the question of that organization, which is affiliated to the International Industrial Relations Association (IIRA), providing a forum for further consideration of related matters of mutual interest.

5. Summary and conclusions

5.1. Summary

102. “Cautious optimism” was an expression used by some interlocutors when the mission visited the occupied Arab territories in April 2005. It was not used again this year, in a context in which a new Government of the Palestinian Authority had just assumed office and a new Israeli Government was still being formed; in which the two parties involved in the Israeli-Palestinian conflict expected each other to redefine their positions; and in which important actors of the international community reminded both parties of their international obligations and sought ways of averting a deepening of the humanitarian crisis and renewing the peace process. It was a moment of disrupted dialogue but nevertheless the mission gained the impression that those who were looking for peace, security and social justice were keeping their hopes alive.

103. Human security is in deficit on both the Israeli and Palestinian sides of the conflict. The Government of Israel emphasizes physical security for its citizens. The Palestinian Authority stresses the economic and social, as well as the physical, insecurity of Palestinians living under occupation. Security in all its aspects – physical, social and economic – in Israel, on the one hand, cannot be separated from security for the Palestinian people living in the occupied territories, on the other. The comprehensive security of both peoples is inextricably intertwined.

104. Closures, restricting the movement of Palestinians in and between the occupied territories, continue to be the most visible and burdensome manifestations of occupation, although some patterns have changed. Following the Israeli withdrawal from the Gaza Strip, internal closures are no longer in operation, but external movement remains tightly controlled. In the West Bank total internal closure measures fell markedly during the first three quarters of 2005. In parallel, economic data positively reflected the well-established relationship between fewer human losses, higher perceived security, reduced closures, greater economic activity and lower unemployment. However, worsening trends were observed again from the fourth quarter of 2005 onwards, accompanied by a reversal in the direction of these relationships. Meanwhile, the “horizontal trisection” of the West Bank through internal closure, a progressive segregation of the Jordan Valley from the West Bank, and the continuing construction of the West Bank Separation Barrier were observed.

105. The economy rebounded significantly in 2005, continuing the trend started in 2004. Real GDP nearly reached pre-intifada levels, but as a consequence of the population increase, real GDP per capita was still 21.6 per cent below its 1999 level and much lower than the levels the economy would have reached with sustained growth since 1999. Since the recent positive trend has been fuelled by a high percentage of civil servants in total employment figures, plus an expansionary fiscal policy largely financed by donor budget assistance and by the wages of an increased number of Palestinians working in Israel, the recovery is not expected to be sustainable in the current political context. In addition, the Government of Israel has suspended the regular transfers of revenues it collects on behalf of the Palestinian Authority. In its worst-case scenario, assuming the continuing suspension of clearance revenue transfers, trade and labour restrictions and reduced aid flows, the World Bank predicts a real GDP per capita decline of 27 per cent in 2006 and a decline in personal incomes of 30 per cent.

106. Unemployment trends continued to be a matter for concern, even after a slight annual employment increase in 2005. The unemployment rate measured by the

Palestinian Central Bureau of Statistics is 23.5 per cent. The ILO estimates that total unemployment, including disguised unemployment, may have been as high as 40.7 per cent in 2005. Unemployment rates by governorate reveal remarkably high regional differences up to a ratio of 1:3. In addition, the female employment to working-age population rate is extremely low at 9.9 per cent, reflecting the restricted employment opportunities for women. The equivalent rate for men is also low at 51.2 per cent. The number of persons in the total population per employed person is now six, while the figure for Gaza is even higher, at 7.5.

107. In terms of the ILO's standards and rights, there is abundant evidence of discrimination among both women and men in respect of access to employment and occupation. Such discrimination appears to be based on religion, ethnicity, political opinion, national extraction and social origin, and is contrary both to the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and the ILO Declaration on Fundamental Principles and Rights at Work.

108. The end result of closures is a lower level of economic activity, less employment, lower income and consumption, and consequently a higher incidence of poverty. In absolute terms, the population living in poverty increased from 600,000 in 1999 to 1.6 million in 2005. Although 2005 saw a slight improvement, poverty remains very widespread, affecting over four Palestinians in ten.

109. Dialogue and negotiation must be a driving force in any viable strategy for lasting peace and social justice. The unique contribution which the ILO can make to this process is to foster the capacities of employers' and workers' organizations, alongside a labour administration which appreciates and pursues a tripartite approach to addressing the many social and labour challenges. Progress continues to be made by the social partner organizations in terms of their internal democratization, and elections have been held in several of the constituent bodies on both sides. However, draft legislative reforms submitted to the previous Palestinian Legislative Council (PLC) raised a number of issues concerning freedom of association for the Palestinian employers' and workers' organizations and for other Palestinian organizations interested in workers' and human rights. The difficulties the mission faced because of the security situation in establishing contacts with employers' and workers' representatives in Gaza reflect the general handicap under which the Palestinian social partners have to function. Their voice is essential in any process aimed at achieving peace and social justice.

110. The situation of the Syrian Arab population in the occupied Syrian Golan has not improved since the assessment made in 2005. The battle for resources remains omnipresent, and discrimination in favour of Israeli settlers continues to be all-pervading. Agriculture is becoming increasingly insufficient to generate income. Alternative income opportunities, particularly for young and highly skilled people, are extremely scarce in the villages. The pressure to look for alternatives elsewhere, leading to the erosion of Syrian identity, is therefore growing. With low prices for apple production in the Israeli market, the situation once again needed to be alleviated in 2006 by the shipment of 10,000 tons of apples to the Syrian Arab Republic. This process was again facilitated by the Israeli Government and operated under a system of back-to-back trucking using ICRC vehicles.

5.2. Conclusions

111. The mission identified prominent issues which the parties in the Israeli-Palestinian conflict and the international community as a whole will have to address during the coming months. Again, the worsening situation since the end of 2005 urgently requires every effort of the Palestinian Authority, the Israeli Government and the international community to achieve decent work for women and men in the occupied Arab territories.

112. Certainly, the most pressing issue in the present context is to alleviate the humanitarian crisis. Again, international organizations, including non-governmental organizations, and local counterparts are doing admirable work to that effect. But sustainability can only be achieved by promoting growth, investment and decent work for Palestinians in the occupied territories. Foreign assistance to the Palestinians in the forms of budgetary support, emergency/humanitarian assistance and development aid cannot replace in a sustainable manner the efficiency losses caused by the conflict. The development of a viable Palestinian economy must be a priority.

113. The messages given in the Constitution of the International Labour Organisation, “lasting peace can be established only if it is based upon social justice”, and in its annex, the Declaration of Philadelphia, “poverty anywhere constitutes a danger to prosperity everywhere”, hold true in the Palestinian/Israeli context. Unilateral measures will not make for lasting peace. There remains a shared responsibility of the Government of Israel and the Palestinian Authority for human, economic and social security if there is to be a positive outcome.

114. To promote decent work in the occupied Arab territories, the removal of barriers to mobility for persons, goods and services within the West Bank and between the Gaza Strip and the West Bank, and a viable trade regime with Israel and the world, are most important prerequisites. Private investment in business and international donor engagement in development aid require sustainable prospects. With the Israeli withdrawal from the Gaza Strip, internal barriers have been removed, and the 15 November 2005 Agreement on Movement and Access provided for a viable regime for external movement. As the Agreement has only been poorly implemented so far, there remains a shared responsibility of the international community, the Government of Israel and the Palestinian Authority to finish implementation. Here again different positions need to be reconciled: whereas during the mission’s visit the Israeli Coordinator of Government Activities in the Territories, Major General Yossef Mishlev, pointed to alternative crossings for the shipment of goods into the Gaza Strip, Ghassan Khatib, former Minister of Planning and in charge of implementation on the Palestinian side, highlighting that Karni was the only export crossing, stated that “Karni is the make or break”.

115. In thinking about solutions aimed at determining the future borders of Israel, particular attention needs to be paid to the nature of the Separation Barrier and the enclosed settlements and its implications for East Jerusalem. The Israeli Government had previously maintained that the trajectory of the barrier does not prejudice the future frontier between the two States. Again, there is a common responsibility “to work towards a negotiated solution of the Israeli-Palestinian conflict based on existing agreements, the relevant UNSC Resolutions and the principles laid down in the Road Map” (Council of the European Union, 2006).

116. The commitment to keeping contracts is part of what is expected from both parties in the conflict. Important actors of the international community expect “the new

Palestinian Government to commit to the principles of non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the ‘Road Map’” (United Nations, 2006b), while the Israeli Government is expected to resume the clearance revenue transfers it collects on behalf of the Palestinian Authority within the common customs union regime.

117. As a result of lack of agreement on these principles a reduction of aid flows has been considered. In the ongoing debate, while recalling that the Hamas movement is registered in the European Union’s list of terrorist organizations, President Chirac of France declared in relation to a possible halt to aid that it would be both unfair and politically clumsy to make the Palestinian people pay the price (*Le Monde*, 2006). This is the position frequently taken by many of the mission’s interlocutors.

118. The Council of the League of Arab States, meeting in Khartoum on 28-29 March 2006, just as the new Palestinian Government was assuming office, pledged “to continue with the provision of financial assistance to the national Palestinian Authority in accordance with the mechanism reached during the Beirut (2002) Arab summit and to continue [their] contributions in boosting the Al Aqsa funds to back up the Palestinian economy and reinforce its capabilities and ending its dependency on the Israeli economy”.²⁴

119. “Humanitarian services in the occupied territories are government services and 90 per cent of non-security expenditure is on education and health”, Ghassan Khatib told the mission. This was echoed by representatives of international organizations present in Palestine, highlighting that “there is no possibility to replace the Government’s services”.²⁵ Certainly, once progress has been made in the reform of the finance administration and civil services, reforms in the judiciary and the security system are still required. In so far as the number of security personnel exceeds future needs in the context of a two-state solution, broader labour market perspectives should be opened up for redundant personnel through vocational training and retraining and the creation of economic opportunities. Technical cooperation could further contribute to the reform of the security forces by supporting employment services and training facilities, based on successful programmes for ex-combatants elsewhere.

120. Until it reaches a rate of growth that generates enough employment to absorb the increase in the labour force and also to achieve higher employment to working-age population ratios for women and men, employment of Palestinians in Israel remains essential to the Palestinian economy. At the same time, it benefits the Israeli economy. Representatives of the Manufacturers’ Association of Israel again this year explained to the mission their appreciation of Palestinian workers in several sectors of the economy, provided security requirements are met. The Israeli Government had earlier announced the termination of permits by the end of 2007. Experience in 2005, when a substantial number of work permits were issued, again demonstrated the viability of a regime which is benefiting both the Israeli and the Palestinian economies. With a view to a future two-state solution, the Israeli Government may wish to reconsider its former announcement.

121. As dialogue and negotiation must be a driving force in any viable strategy for lasting peace and social justice, strengthening the social partners’ capacities and the institutions for functioning social dialogue in a tripartite setting is a most promising strategy. Representatives of the Manufacturers’ Association of Israel, Histadrut and the

²⁴ *Ain-Al-Yaqeen*: “Key points of the Khartoum Declaration”, 31 Mar. 2006, at www.ain-al-yaqeen.com.

²⁵ Jordi Raich Curco, ICRC Head of Mission in Jerusalem.

Palestinian social partners have again expressed their interest in support for a social agenda conducive to the process of dialogue within and between both the Israeli and the Palestinian sides. In this context, the ILO's rights-based approach relating to freedom of association and the right to organize, collective bargaining and tripartite consultation is of the utmost importance. Draft legislative reforms concerning workers' and employers' organizations, which had been submitted to the previous Palestinian Legislative Council and raised a number of issues related to freedom of association for the Palestinian social partners, should be reconsidered in the light of the relevant international principles and rights.

122. As in former years, the mission identified discrimination against Arab people and in favour of Israeli settlers in the occupied Syrian Golan as an ongoing fact of life. The 2005 Report had welcomed, as a first sign of hope, the arrangement with the Israeli authorities, brokered with the assistance of the ICRC, to allow Arab apple producers access to Syrian markets, and strongly encouraged the continuation of this process, as well as any other initiative to help the Syrian Arab people in the occupied Syrian Golan. In fact, this year saw a continuation of the arrangement, on a larger scale. Nevertheless, as other forms of discrimination remained and new ones emerged, the Syrian authorities wished to see the ILO undertake technical assistance to obtain more decent work for the Arab people in the occupied Syrian Golan.

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Annex

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Ola Farah Mohammad Awad, Director-General, Aid Management

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Victor Batarseh, Mayor

Zubeidat Village Council, Jordan Valley

Hassan Jarmi, Head of Village Council

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Ali Mohanna, Director, SMEs Department

Nablus Chamber of Commerce and Industry (NCCI)

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Husam Hijjawi, Secretary-General

Nameer T. Khayyat, General Director

Palestinian Chamber of Commerce Gaza (PCCG)

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Basem Murtaja, Director-General

Mustafa Murtaja, Business Manager

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