Gro Hasselknippe and Marianne Tveit

Against the Odds

How Palestinians Cope through Fiscal Crisis, Closures and Boycott

Fafo

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List of acronyms

AMA	Agreement of Movement and Access
ECHO	European Commission Humanitarian Office
IDF	Israeli Defence Forces
IMF	International Monetary Fund
JD	Jordanian Dinar
MoSA	Ministry of Social Affairs
NGO	Non-Governmental Organization
NIS	New Israeli Shekel
PNA	Palestinian National Authority
PCBS	Palestinian Central Bureau of Statistics
PLC	Palestinian Legislative Council
TIM	Temporary International Mechanism
TIMMS	Trends in International Mathematics and Science Studies
UNOCHA	United Nations Office for Coordination and Humanitarian Affairs
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
USAID	United States Agency for International Development
WB	World Bank
WBGS	West Bank and Gaza Strip

Executive summary

This report presents the findings of the third Fafo study undertaken at four sites in the West Bank and Gaza Strip since the beginning of the Al-Aqsa Intifada. The first study focused on the Palestinian people's ways of handling conflict one year after the outbreak of the uprising, while the second study emphasised their coping strategies under a closure regime. The latter, conducted at the end of 2002, highlighted the central significance of salaries from the public sector. At a time when unemployment peaked at more than 30 percent and the population in Gaza was virtually banned from working in Israel, public salaries constituted a safety net for nearly half of the Palestinian population. Households with able-bodied members preferred job creation projects over foodaid and monetary support.

The third study, which this report builds on, was undertaken in March 2007, one year after Hamas had established its first government. A fiscal crisis erupted at the time due to Israel's decision to withhold Palestinian tax revenues and the international boycott of the regime. Owing to income shortfall, the government was unable to pay salaries to public employees. Emergency funds established by the EU, the World Bank and other donors were channelled through the President's Office as a means to circumvent the Hamas government. In June 2006, partial payments to public employees resumed. Teachers and healthcare workers were given priority. In total, only 45 percent of all salaries were paid that year. Public employees were seriously concerned about the irregular payment of monthly salaries as well as about how much they would be paid. The safety net deemed so important in the 2002 study had clearly frayed.

The present report depicts the efforts made by Palestinians to cushion the detrimental effects of the economic crisis. The three main coping strategies are work, reducing expenses and relying on aid. In comparison to our earlier studies, people had multiplied their income sources to compensate for reduced salaries and intermittent employment. The relative importance of wage employment had decreased, and a growing number of people either worked as day labourers or relied on animal husbandry and agriculture. Food aid had gained significance. Although suffering was evident in many families, the study found few signs of food crisis, primarily due to assistance from families and friends and transfers through the EU-sponsored Temporary International Mechanism and UNRWA, which countered the economic downturn.

In addition to food aid, sharing and bartering, buying on credit in shops and postponing the payment of bills were major saving strategies in nearly all households.

These additional strategies also explain why there a greater reduction in people's consumption and a humanitarian crisis in the West Bank and Gaza Strip had not yet occurred. Shop-owners and traders had taken some of the load off the new impoverished middle class, as had municipalities and other businesses and services collecting on people's unpaid bills.

The month after our data was collected, the Palestinian National Authority managed to start a full payment scheme, signifying the end of the worst period of the economic crisis.

Palestinian society remains, however, heavily aid dependent, and the severe mobility restrictions imposed by Israel on people and goods in the West Bank and on Gaza's borders do not give promise for a rapid economic recovery.

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Several people have taken part in this study. The fieldwork was conducted by Fafo's researchers Akram Atallah, Hani el Dada, Kristin Dalen, Gro Hasselknippe, Henriette Lunde and Marina de Paoli. Colleague Roula Haddad gave invaluable support to the fieldwork in Rantis. Managing director of Fafo, Jon Pedersen, and Marianne Tveit supervised the fieldwork from Oslo.

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Gro Hasselknippe

Introduction

The year 2007 marks the 40th anniversary of Israeli occupation of the West Bank and Gaza Strip. Few conflicts have been followed so closely by the international community as the Palestinian-Israeli conflict, yet no attempt at a resolution has led to the creation of an independent Palestinian state, return of refugees or a solution to the status of Jerusalem.

The first breakthrough in the conflict came after a seven year Intifada in 1993 when the Oslo process was revealed and culminated in the Declaration of Principles outlining steps towards a Palestinian state to exist alongside Israel. In spite of substantial backing at the grassroots level, the parties did not succeed in progressing as planned. New attempts followed and the American President Bill Clinton invested much political capital in the Road Map. However, internal political differences both within Israel and the Palestinian National Authority (PNA) prevented serious follow-up of the plan.

In September 2000 a second Intifada erupted following Prime Minister Ariel Sharon's visit to the Al Aqsa mosque located at Haram al Sharif, the holiest Muslim site in Jerusalem, known to Jews as the Temple Mount. The Al Aqsa Intifada has been fought with more violence than the first Intifada, and although the parties more or less adhered to a year-long ceasefire in 2005, the fighting commenced again in 2006.

The new warfare coincided with the PLC election that took place on 25 January 2006 and led to the victory of Hamas over Fatah, all-time ruler in the PNA. The election win placed Hamas in government in March of the same year, and an international boycott of the regime was put into effect immediately. Transferring money to the Palestinian government or to any Palestinian financial institution became impossible in practical terms for any country, because it would be met with repercussions from American financial regulatory institutions.

Coinciding with the international boycott of the Palestinian regime, Israel decided to withhold clearance taxes collected on behalf of the PNA. These taxes are under normal circumstances transferred monthly, and are the main income of the PNA. In 2005, before the fiscal crisis erupted, transfers from Israel represented 39 percent of the PNA's total income, while foreign budget support stood for 19 percent[1]. Needless to say, running a government with a shortfall of nearly 60 percent of its fiscal base is

[1] Statement by IMF representatives at Ad-Hoc Liaison Committee (AHLC) meeting, London, December 14, 2005

difficult, and as the report shows, this development in 2006 has had a detrimental effect on the entire Palestinian society.

Few societies are being monitored by the international community to the same extent as that of Palestine, and there is no shortage of warnings of a future catastrophe should the situation deteriorate further. For how long can the Palestinians cope before they face a humanitarian crisis?

This report is based on field interviews carried out in the occupied Palestinian territories in the period from 28 February to 13 March 2007. It is the third Fafo study on coping strategies in the West Bank and Gaza Strip during the Al Aqsa Intifada. The first took place in 2001 and the second at the end of 2002. The key objective of these projects is to examine how the Intifada affects people's livelihoods and what strategies they have for alleviating their plight.

The 2002 study took place in one of the most critical years of the conflict, characterized by tremendous economic problems and political violence. The Israeli reoccupation of many Palestinian cities (defined as A areas under direct Palestinian control in the Oslo II Accords), the frequent military incursions, and a strict closure regime led to a high number of casualties and made life in the West Bank and Gaza Strip extremely difficult. The main perception at that time was that the situation could not endure and that people were stretched to the limit and about to run out of coping strategies.

The years following 2002 showed a slightly positive development in the economy and in freedom of movement, although the political situation remained volatile and there was lingering hardship. After a relatively calm 2005, political events in 2006 yet again imposed extreme conditions on the Palestinian people.

Considering the situation in March 2007 with the continued Intifada, the increased economic difficulties due to the international boycott of the PA, the Israeli launched summer war in Gaza, the constant Israeli military interventions in the West Bank, and the increasing domestic turbulence, the daily life of the Palestinian population was believed to be especially difficult at the time of the third study.

How does the Palestinian population cope with the worsening economic situation, constant violence, political tensions and deteriorating social conditions? After six years of Intifada, six years on the verge of a state of emergency, unstable income and uncertain prospects, how does the population tackle steadily increasing hardship? This report analyses the situation in Palestinian society and how people live with long-term conflict. To contextualize the situation, we start by outlining macro-level development trends in the West Bank and Gaza Strip since before the Intifada. Secondly, we describe and analyse the actions people take in order to improve their situation. Special focus will be on the period after Hamas came to power in March 2006, although we also investigate changes in people's behaviour since 2002. Thirdly, we consider the effects and success of people's coping strategies and how the conflict has affected Palestinian society in general. A fundamental question is whether a humanitarian crisis can be avoided if the current crisis endures.

Methods

From 28 February to 13 March 2007, six field researchers from Fafo conducted 140 in-depth interviews with household members, shop-owners, farmers, traders, municipality officials and service providers in four different locations. There were two researchers in each of the two most populous areas chosen in the West Bank, one in the selected West Bank village and one in Gaza city.

The fieldworkers sought a variety of households and businesses to obtain the best possible picture of today's situation in the chosen localities, and to detect how people living under dissimilar conditions cope differently. The analysis is therefore not based on statistics, although comparisons with survey data from the Palestinian Central Bureau of Statistics and Fafo will be made when possible. Reports by the UN and other international organizations as well as other secondary sources are also utilized in the analysis.

All respondents were selected and approached without having made appointments in advance. The information gathered is therefore by no means staged by the respondents. The field researchers visited some of the informants from the previous studies to see how their lives had developed. The majority of informants, however, were new. The interviews were open ended. Certain questions were posed to all respondents, while the follow-up questions varied according to the respondents' 'stories'. The aim was to have the interviewees talk about their lives, and efforts were made to have them compare current circumstances with the past four years. It is difficult to recall one's life situation three or four years ago, and many respondents had forgotten how their situation was then compared to now. Most people would say that things had deteriorated, although when confronted with their own statements from December 2002, they agreed that some things had actually improved.

Four of the six field researchers used translators during the interviews. To minimize shortcomings originating from translation, the interviewers consistently went through the interview with the translator afterwards to interpret expressions and to capture the exact wordings. The interviews were transcribed the same day and sent to a coordinator in Oslo who continuously organized and compared the data material. Feedback from the project coordinator would then help guide the work of the researchers in the field in order to generate a broad and valid spectrum of information.

The four localities were not selected because they are the most representative. However, they are probably all among the most vulnerable localities in the West Bank and Gaza Strip, and this will be reflected in the findings of the survey. The places are the same as those we covered in the previous studies in 2001 and 2002. Revisiting the same locations has enabled the field researchers to follow up on developments in areas we had prior knowledge of. Although this is not a time series survey, the revisiting of previous informants has provided us with valuable insights into the society's development.

The four localities studied

Fafo had two field researchers each in Beit Furik and Jericho, and one researcher in Rantis and Gaza city respectively. The locations were chosen for their differences; Beit Furik is a small town in Nablus governorate with around 13,000 inhabitants. It is mainly an agricultural town and has been severely affected by the closures Israel enforced on the West Bank after the outbreak of the Intifada and the reoccupation of Nablus and other towns in March 2002. The town was for a long period under siege and although the siege is now lifted, the town's entry point is still controlled by the IDF.

Rantis is a village in Ramallah governorate bordering the green line, with around, 3,000 inhabitants, and has depended on workers going to Israel. Since the second Intifada started, Israel has issued fewer permits to go to Israel, which has forced many in Rantis to find work elsewhere. Furthermore, Rantis is suffering directly from the separation barrier that Israel has built to protect its land, since it literally surrounds the village and isolates it from the rest of the West Bank. The barrier, which takes the form of a wall in the area around Rantis, makes it more difficult to cross into Israel and has resulted in loss of land for many of the villagers.

Jericho is a city of approximately 17,000 inhabitants located in Jericho and Al Aghwar governorate in the Jordan valley, 30 kilometres east of Jerusalem and 10 kilometres north of the Dead Sea. This governorate is the smallest in terms of population size of all the governorates in the West Bank and Gaza Strip, with only 1.1 percent of the total population. Jericho city came under the direct rule of the PNA as a consequence of the Oslo Declaration of Principles and up until the second Intifada it was less affected by Israeli authorities (military forces) than many other areas in the West Bank. The town's location is also farther away from Israel, and although the citizens of Jericho have experienced tight closures in line with the other localities, they have been less vulnerable to direct Israeli interventions. The main employment sectors in Jericho used to be tourism, agriculture, the PNA, and construction and farming in Israeli settlements. After the outbreak of the Intifada, the town has experienced a drop in tourism and work in the settlements has dwindled.

All the locations studied in the West Bank have Israeli settlements nearby, which partly explains the checkpoints and movement restrictions around these areas. Moreover, they are surrounded by settlements and roads restricted to Palestinians (see map).

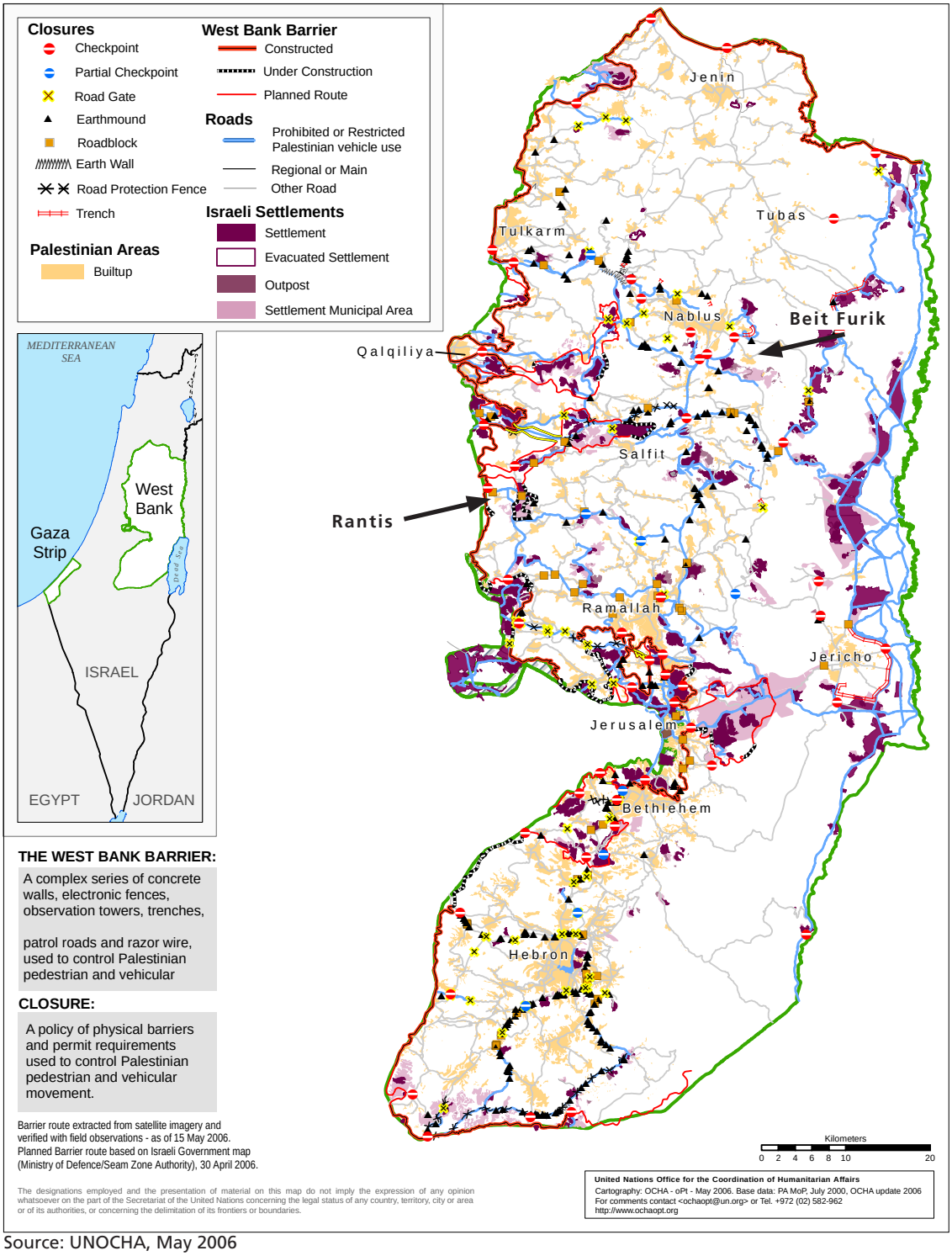
The situation in Gaza is radically different from that of the West Bank, and people in Gaza generally live under harsher conditions compared to West Bank residents. About 70 percent of Gaza's population are refugees (PCBS 2007d), and nearly half of them live in the eight refugee camps that are spread from north to south on the Gaza Strip (UNRWA 2007c). After Hebron, Gaza governorate, which comprises Gaza city

and two smaller towns, is the most populated governorate in the Palestinian territories and houses 13 percent of the total population.

Although the Israeli army and settlers left Gaza in the fall of 2005, the imposed closure of Gaza's border has prevented the economy from improving. The war in the summer of 2006 had a great impact on Gaza's population, both in terms of casualties and in damaged infrastructure.

Gaza city comprises about 400,000 inhabitants and is by far the most populous location included in this study.

Map of the West Bank and closures



THE WEST BANK BARRIER:

A complex series of concrete walls, electronic fences, observation towers, trenches,

patrol roads and razor wire, used to control Palestinian pedestrian and vehicular

CLOSURE:

A policy of physical barriers and permit requirements used to control Palestinian pedestrian and vehicular movement.

Barrier route extracted from satellite imagery and verified with field observations - as of 15 May 2006.
Planned Barrier route based on Israeli Government map (Ministry of Defence/Seam Zone Authority), 30 April 2006.

United Nations Office for the Coordination of Humanitarian Affairs
Cartography: OCHA - oPt - May 2006. Base data: PA MoP, July 2000, OCHA update 2006
For comments contact <ochaopt@un.org> or Tel. +972 (02) 582-962
http://www.ochaopt.org

Source: UNOCHA, May 2006

Palestine six years into the Intifada

Since 2000, Palestinian society has experienced a decline in both economic and social living conditions. Unemployment has risen and people's movements have been restricted as a consequence of the ongoing conflict. The degree of severity of the situation has depended on and varied with the development of events and political decisions during the Intifada. The reoccupation of the West Bank in March 2002 worsened the situation considerably and intensified the process of Israeli control over internal movements in the West Bank and Gaza Strip. The frequency of arrests and incursions by the Israeli Defence Forces (IDF) has varied through the Intifada and affected life in Palestine significantly in periods of increased activity. Ongoing construction of the separationbarrier between the West Bank and Israel and the confiscation of Palestinian land have also had a negative influence on people's economy and daily life. Arafat's death in November 2004 contributed to increased political instability as the Palestinians had lost a common denominator – a symbol of Palestinian identity.

The Israeli withdrawal from Gaza in September 2005 and the parliamentary elections which brought Hamas to power have been decisive for the recent course of development in the Palestinian areas. Gaza's new-won independence, which initially boosted local optimism, did not result in the gains that people had hoped for. The Hamas win was followed by an international boycott and Israeli withdrawal of Palestinian tax money which resulted in a fiscal crisis in the PNA and thus unpaid wages in the public sector. As 24 percent of Palestinians are employed in the public sector, this meant economic hardship for many households. To aggravate the situation further, 'Operation Summer Rain' launched by IDF in June 2006 started a long series of battles between Palestinian militants in Gaza and the Israeli military, and caused periods of state of emergency, casualties and despair in the population. At the same time, the West Bank and Gaza Strip were on the edge of civil war throughout 2006. Economic hardship, military combat with Israel and a war-like situation between Hamas and Fatah supporters contributed significantly to a high degree of domestic tension, and in May 2007, the national coalition government dissolved and a month later Hamas took power in Gaza while the PNA remained in control in the West Bank.

Casualties and arrests

The violence that has occurred since September 2000 has led to an increase in both arrests and casualties. The years 2002 and 2006 were the most violent since the start of the Intifada. As many as 1,068 Palestinians were killed and 4,382 injured in direct conflict with Israel in 2002 (Table 1). The following two years, the number of casualties was reduced, although still high, while the ceasefire (*Tahdi'a*) between Palestinian factions and Israel in 2005 made this year the quietest one for some time. In 2006 the ceasefire was broken, and the war in Gaza contributed to a large number of deaths; in July as many as 164 were killed there compared to 17 in the West Bank (OCHA 2006a, no. 10). In total 678 Palestinians lost their lives in conflict in 2006, while 3,199 were injured (Table 1). The Israeli toll that year was 25 deaths and 377 injured (OCHA 2007a). In addition to casualties as a consequence of the Israeli-Palestinian conflict, internal violence flared up and resulted in 146 deaths in 2006 compared to 12 in 2005 (OCHA 2007a). In 2007 the number rose to 490.

The IDF increased its search and arrest campaigns during 2006 to 5,666 from 1,878 in 2005[2] (OCHA 2007d, no. 10 Feb.). Total arrests amounted to 5,244 compared to 2,293 in 2005. Since IDF had withdrawn from the Gaza strip in September 2005, most arrests and search campaigns were conducted in the West Bank.

Table 1 Palestinians killed and injured in direct conflict* with Israel by year (2000-2007)

Year	2000	2001	2002	2003	2004	2005	2006	2007	Total
Deaths	327	649	1068	664	881	215**	678	396	4663
Injuries	10603	6386	4382	2992	4009	1260	3194	1841	34667

*The figures refer to casualties resulting directly from conflict and occupation of the West Bank and Gaza Strip. These include casualties in military operations, artillery shelling, search and arrest campaigns, demonstrations, targeted killing, settler violence, Palestinian attacks on Israelis, etc.

**Excluding seven members of a family killed in North Gaza in an explosion in June 2006, the cause of which is still disputed. Source: 2000-2004, Palestinian Red Crescent Society, 2005-2007, OCHA Protection of Civilians Database 2007.

Table 2 Number of Palestinian prisoners in Israeli jails by year (2001-2007)

Year	2001	2002	2003	2004	2005	2006	2007
Number of prisoners	1456	1969	4696	6102	8046	8222	8378

Source: B'TSELEM, Statistics.

*All numbers are taken from December each year.

**The statistics do not include Palestinians held on criminal charges. They include prisoners serving a sentence, detainees, those detained until end of legal process and administrative detainees.

[2] Figure for 2005 is from June-December. Average in 2005 was 268 search and arrest campaigns per month compared to 472 in 2006.

The total number of individuals held in Israeli prisons was 6 times higher in January 2007 than in January 2001 (Table 2). More than 9,000 Palestinians are imprisoned in Israel as of April 2007.

Release of prisoners is one of the most important political issues for Palestinians in general, the reason being that so many are affected and because resistance is seen as legitimate in times of occupation (Hasselknippe 2006:25).

Closures

After the outbreak of the Intifada, the IDF imposed strict closures within the Palestinian territories, regulating transport of people and goods between towns and villages in an effort to prevent attacks on settlements and Israeli territory. The closures take the form of roadblocks, earth mounds, trenches and checkpoints and they have only increased in numbers since they first appeared. In March 2007, the month of the study, the United Nations Office of Coordination of Humanitarian Affairs (OCHA) recorded 549 movement restrictions in the West Bank, which is a 40 percent increase since the unilateral disengagement from Gaza in 2005 (OCHA 2007c). The monthly average of physical obstacles in 2005 was 472 (OCHA 2006a, No 10). These impediments restrict people's freedom of movement severely. Of the total of 549 movement restrictions in March, 84 were manned checkpoints inside the West Bank, which are the toughest barriers to pass, and 163 were so called 'flying checkpoints', which are temporary control posts put up in new and unexpected areas (OCHA, 2007d: 10). At some of the checkpoints the soldiers will only allow Palestinians with special permits to cross. Many of the manned checkpoints have age restrictions, limiting the young from leaving their place of residence. The age groups that are not allowed to pass may vary from time to time, making it unpredictable who can pass and who cannot. In general, the strict regime regulating people's movements discourages people from crossing the checkpoints for fear of being prevented from returning home, in case the rules have changed since they left.

In addition to the impediments and time-consuming procedures people face when crossing checkpoints and roadblocks, Palestinians also report incidents of humiliation in the encounter between the Israeli soldiers and the Palestinians. According to our informants, every Palestinian crosses at the mercy of the Israeli soldier on duty. Soldiers may perform body searches and look through all carried goods. In some cases the soldiers keep Palestinians waiting for hours before letting them pass. For students and workers who need to leave their home town every day, such procedures obviously create problems, and many say that they have been forced to find lodging closer to their work or place of study and only return home at the end of the week.

The city of Nablus, which is only 6 kilometres from Beit Furik, is surrounded by six checkpoints. Between mid 2002 and October 2003 these checkpoints were only open for pedestrians above the age of 40 for approximately 11 hours a day. The age restrictions were gradually lifted after November 2003 and the opening hours of the checkpoints were increased. The age restrictions were withdrawn in April 2005, but residents' movements in and out of Nablus city remain restricted in the same way as other towns that are surrounded by checkpoints. Sometimes showing an ID card is sufficient, while at other times thorough searches are required which extend people's travel time.

There is one main road leading to the town of Beit Furik, and only residents are allowed to enter the town through the IDF controlled checkpoint. Not even close relatives of inhabitants are allowed to visit. People in Beit Furik have been subject to the same age restrictions at the checkpoint as at Nablus city, and after 6 pm at night the control post at Beit Furik is closed and no one can enter. Since Beit Furik lacks a hospital or health centre that is open 24 hours a day, the permanent closure at night hinders people's free access to hospitals in an emergency situation. In such a case the soldiers must be woken up and begged to open the gate so that the patient may reach the waiting ambulance on the other side.

Jericho has likewise been subject to a strict closure regime since 2000. Not only is travel restricted for Jericho residents, but Israelis are also prevented from entering the city, affecting the tourist business even more. Jericho has in the past also profited from its location close to the border with Jordan, both in terms of employment at the border and as a place of recreation for people travelling. However, after the outbreak of the Intifada, the number of people who have travelled between the West Bank and Jordan has decreased steadily, as has the income related to this. There are two gates leading into Jericho city, one in the north and one in the south. The North gate is closed to foreigners, and any Palestinian who does not live in Jericho who enters through the North gate has to exit from the South gate. These regulations prevent many visitors from going to Jericho, a once busy tourist location.

Travel into Rantis from Ramallah or Salfit, the two closest towns, does not require passing through a checkpoint. However, the main road has been closed by a roadblock forcing everyone to go there on a bumpy agricultural road. The main problem for the citizens of this village is that entry into Israel from Rantis has become impossible due to the separation barrier that passes between the village and Israel. Those who obtain a permit to go to Israel have to pass through Nilin 18 kilometers south of Rantis. Making travel to Israel longer is not the main issue, but the fact that no one now travels through Rantis has changed the structure of the village that used to profit from Palestinian workers on their way to and from Israel.

The population in the Gaza Strip is suffering severely from the closure regime, although in a different way from West Bank Palestinians. After Israel withdrew from

Gaza, movement within the Gaza Strip became free of checkpoints, but all travel in and out of Gaza for the local population has to be through the Rafah crossing into Egypt. In 2000, 12.9 percent of the workers from Gaza were employed in Israel (PCBS 2007b). During the years of conflict, the number dropped significantly and varied between one and three percent (PCBS 2007b). Since 12 March 2006 no worker from Gaza has been allowed to enter Israel. No traders were allowed to cross following the Hamas takeover either, until September 2006 when Israel started to let a few traders cross the border.

In spite of the Agreement on Movement and Access (AMA) that came into force in November 2005 between the PNA and Israel on movement of goods and people between the Gaza Strip and the West Bank, export and import from and to Gaza has been well below target. The implementation of the agreement started well, with the Karni crossing being open all scheduled hours in December 2005, and the average number of trucks being exported increasing steadily to 66 per day by the end of the month (OCHA, 2006b). However, according to AMA 150 trucks should have been permitted to exit from Gaza through the Karni crossing daily by the end of 2005 and one year later as many as 400 trucks should have been able to pass. The average number of truckloads exported daily in 2006 (January-November) was far lower than planned. Only 12 truckloads of goods have been exported each day, which represents no more than 8 percent of the target (OCHA, 2006b). The nearly hermetic seal on Gaza has slowed the economy, as industry is prevented from exporting goods and the contractors lack construction material for building. Only goods classified as humanitarian or essential are allowed to enter and no exports at all may leave Gaza. The Palestinian Businessmen's Association reports that 80 percent of the estimated 3,900 small factories and workshops that operated in June 2005 were closed by July 2007, mainly due to lack of essential materials or spare parts (World Bank 2007b: 15).

In addition to travel restrictions maintained by roadblocks and checkpoints of different kinds, there are 41 sections of road in the West Bank, covering a distance of some 700 Km, that are restricted to Palestinian traffic, while Israelis and Jerusalem residents are allowed to travel on them freely. These are called 'settler roads'.

The occupation of Palestinian territory and the travel restrictions imposed on the population are today considered to be the main problems of occupation for Palestinian society. Not only do the arbitrary restrictions make normal conduct of business difficult and prevent sustainable growth, but the lack of sovereignty and ability to move freely from one town to another also have a psychological effect on the population as the conditions create frustration and anger.

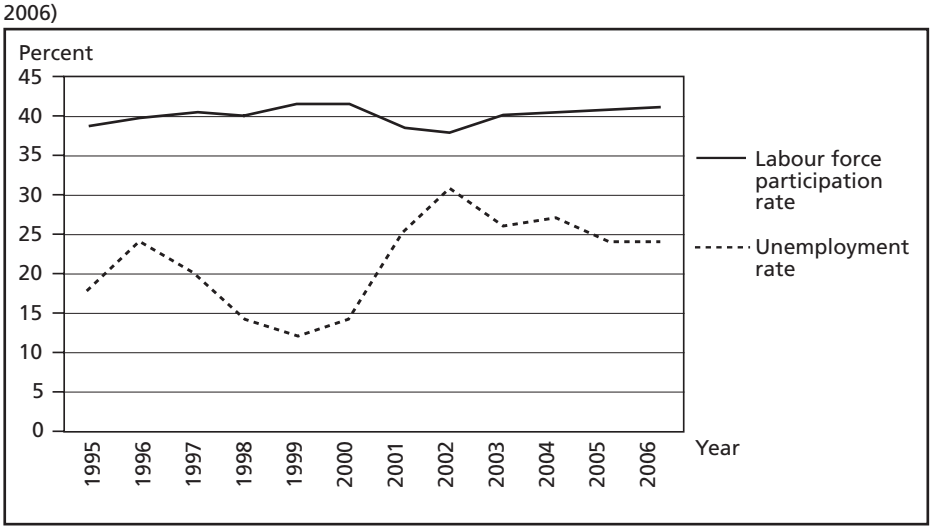
Employment

After a decrease in unemployment[3] in the years between 1996 and 1999, it rose after the start of the second Intifada. In 2002, the year when Israeli soldiers imposed the most severe closures both within the Palestinian territories and externally, the unemployment rate was more than double the rate of 2000. Many had to quit their jobs because they were prevented from reaching their place of work, while others were laid off due to a deteriorating economy. After peaking in 2002, when the unemployment rate was at 31.3 percent, it dropped slightly in the years that followed (Figure 1). In 2006 the unemployment rate stood at 23.6 percent, 18.6 percent in the West Bank and 34.8 percent in the Gaza Strip (PCBS). In comparison, neighbouring Jordan had an unemployment rate of 14 percent that same year (Jordan's Department of Statistics web).

Unemployment has decreased steadily since its peak in 2002. Although the unemployment rate stabilized between 2005 and 2006, the average workforce in 2006 increased by 33,000 workers, an increase of 5 percent from 2005 (IMF and World Bank 2007a:6).

While the unemployment rate has decreased since 2002, the proportion of full time employed (working for 35 hours or more per week) to total participants in the

Figure 1 Unemployment rate and labour force participation rate in WBGS by year (1995-2006)



Source: PCBS, Division of User Service, e-mail 4 April 2007.

[3] According to ILO's definition, unemployed persons are those individuals 15 years and over who did not work at all during the reference week, who were not absent from a job and were available for work and actively seeking a job during the reference week. Persons who work in Israel and were absent from work due to closure are considered unemployed by the PCBS, as are those persons who never work and are not looking for work but are waiting to return back to their jobs in Israel and Settlements.

labour force (full or part time workers, seasonal workers, workers in poor conditions with low incomes, and the unemployed) has dropped from 83.6 percent in 2000 to 68 percent in the first half of 2006 (Global Policy Network 2006:4). This means that a far larger number of the employed are underemployed in 2006 than in 2000, indicating continued shortage of available work.

Shifts in employment sectors

The reduced unemployment since 2002 cannot be explained by a strengthened economy. Since 1999 the GDP has declined by 40 percent. The reduction in the unemployment rate since 2002 is mainly caused by an extended public sector. In 1999, 17 percent of the employed in the West Bank and Gaza Strip worked in the public sector compared to 24 percent in 2006 (Table 4).

Fafo's 2002 study concluded that a significant part of the population depended on those employed by the PNA; at that time 112,000 employees were regularly paid by the PNA. If we estimate that these employees were supporting an average Palestinian family of six people each, close to 700,000 people depended directly on the wages from PNA for a living. In reality, the number was higher, as PNA employees with regular salaries said they also supported extended family and friends. As a result of the expansion of the public sector during the Intifada, 157,000 people were employed by the PNA in 2006, supporting almost a million family members in their respective households.

Throughout the Intifada, the PNA salaries have been a reliable source of income and the stability and expansion of the public sector have in many ways functioned as a social security net for one fourth of the Palestinian population, in addition to needy people in their extended network. When the international boycott and the following fiscal crises in 2006 caused delays and cuts in PNA salaries, it instantly had severe effects on the living conditions of households directly or indirectly dependent on the PNA staff, and further extended effects on the fragile Palestinian economy in general.

In addition to an increase in the public workforce, there have been shifts within the business sectors during the years of Intifada. The proportion of all those employed who work in the agricultural sector has increased by 3.5 percent since the pre-Intifada years, while the percentage employed in the construction sector has halved (Table 3). Employment in manufacturing (including mining and quarrying) has also been reduced. The service sector, which among others includes public employment in education, health and security, has increased by ten percentage points since 1995, while employment within the sectors of commerce, hotels and restaurants, transportation, storage and communication services (here listed as 'other'), is at the same level today as in the mid nineties.

Table 3 Employment by sector and year (1995-2006)

	Agriculture	Construction	Manufacturing	Services	Other
1995	12,7	19,2	18	25,6	24,5
1996	14,2	16,8	16,8	29,2	23
1997	13,1	18,4	16,4	28,2	23,9
1998	12,1	22	15,9	27,1	22,9
1999	12,6	22,1	15,5	28,1	21,7
2000	13,7	19,7	14,3	29,9	22,4
2001	12	14,6	14	34,5	24,9
2002	14,8	10,9	12,9	36,9	24,5
2003	15,7	13,1	12,5	32,9	25,8
2004	15,9	11,7	12,7	34,9	24,8
2005	15,4	12,9	13	34,5	24,2
2006	16,1	11,1	12,4	35,5	24,9

*Agriculture includes fishing and hunting; Manufacturing includes mining and quarrying; other includes commerce, restaurants and hotels, transportation, storage and communication sectors.
Source: PCBS, Labour Force Department.

The shifts in sectors are not only linked to an increased public sector but also to changes in type of employment. There are four main types of employment status: employer, wage employed, self-employed or unpaid family worker. The main bulk of workers are wage employees, but the relative size of this group has been reduced since the outbreak of the Intifada. In 1999 the proportion of all employed who were wage employees was 67.8 percent compared to 59.3 percent in 2006 (PCBS 2007b). The private sector has necessarily been hit the hardest since there has been an actual increase of jobs in the public sector. Self employment has, on the other hand, increased from 18.7 percent to 25 percent in the same time period (PCBS 2007b). People who have lost their jobs and cannot find other employment often start up their own businesses on a smaller or larger scale depending on the resources at hand. During the first years of the Intifada a larger group among the newly unemployed was able to live off their savings and wait for new job opportunities in a post-conflict situation (Sletten and Pedersen 2003). Eventually, many in this category were forced to create income-generating activities and started their own businesses. Being self-employed removes a person from the unemployment statistics but does not necessarily reflect a secure and steady income.

Another dramatic change in working sectors that has economic implications for many Palestinian families is the decrease in work in Israel and Israeli settlements. The number of work permits to Israel has fallen drastically since the outbreak of the Intifada. While 135,000 Palestinians, or 23 percent of the employed, worked in Israel or in Israeli settlements in 1999, the number was nearly halved by 2001, as displayed in Table 4, and it fell further the following year. The total number of workers (both with

Table 4 Employed persons aged 15+ in the WBGS by sector (in thousands and percent of the number employed) and size of labour force by year (1999-2006)

Sector	1999		2000		2001		2002		2003		2004		2005		2006	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Public	102	17	116	19	116	23	112	23	117	21	130	22	146	23	157	24
Private	351	60	366	61	319	63	316	66	392	70	398	69	423	67	445	67
Israel & settlements	135	23	118	20	70	14	49	10	55	10	50	9	64	10	64	10
Total employed	588	100	600	100	505	100	477	100	564	100	578	100	633	100	666	100
In labour force	667		699		675		694		758		790		827		872	
Outside labour force	937		976		1069		1128		1123		1164		1204		1239	

Source: PCBS, 2007, Labour Force Survey Data Base, 1999-2006.

and without permits) in Israel and Israeli settlements in 2006 was 64,000, which is an increase from 49,000 persons in 2002 (Table 4). However, as a percentage of the total workforce there was no increase between 2002 and 2006, as Palestinian workers in Israel or Israeli settlements still made up about 10 percent of all employed persons. Gazans were banned from work in Israel after March 2006. According to a Fafo survey in December 2006, 14 percent of the employed in the West Bank claimed to be working in Israel, not including settlements in the West Bank (Fafo 2007a).

Wages

Even though the median and average daily wages have increased during this decade, especially in the public sector, wages have not kept pace with inflation. The NIS inflation between 2000 and 2006 was 27 percent, which means that an average daily wage of NIS 77 in 2000 should equal NIS 97 in 2006, but it only reached NIS 83 (Table 5). This means that the workers in 2006 had lost 17 percent of their daily wage compared to 2000, when rising costs are taken into consideration.

It is especially people working in the private sector who have lost relative value of income during the Intifada years. Nominal average daily wages increased by less than

Table 5 Average daily wages in NIS for Palestinian employees in WBGS by sector and year (2000-2006)

Sector	2006	2005	2004	2003	2002	2001	2000
Public	81.0	72.7	67.9	63.8	61.6	61.1	60.0
Private	68.9	66.2	66.4	65.9	68.4	66.9	66.4
Israel and settlements	131.6	126.9	127.7	125.1	117.3	107.2	110.4
Total	83.3	78.1	74.9	74.0	74.0	73.0	77.3

Source: PCBS

4 percent in the private sector, compared to 35 percent in the public sector and 19 percent in Israel and settlements.

There was a negative development between 2000 and 2004, looking at the total average daily earnings. This is explained by the presence of fewer workers in Israel during those years compared to the public and private sectors. As shown in Table 4, the proportion of the employed working in Israel and settlements dropped by more than half in that period.

On average, the daily wages in the West Bank are higher than in the Gaza Strip for all sectors (PCBS 2007b: Table 41). Palestinian workers' earnings in Israel and settlements are far better than in the Palestinian territories, and employment in the public sector is on average more lucrative than in the private sector.

Highest average daily wages in construction

The construction sector has the highest median and average daily wages both within the Palestinian territories and in Israel and the settlements (Table 6). Although the salaries are higher in Israel and the settlements for all employment sectors, the gap between salaries in construction and other sectors inside the Palestinian territories is much wider than it is in Israel, meaning that all employment in Israel pays relatively well.

The second best paid employment sector in the West Bank and Gaza Strip is the service sector, which includes public employees. This is also the second best paid sector in Israel and settlements, however at the same level as commerce, hotels and restaurants.

The lowest pay is in agriculture, and the median daily wage in this sector is less than half of that in the construction business in both Israel and the Palestinian territories.

Table 6 Median and average daily wages in NIS, average monthly work days, and average weekly work hours for Palestinian wage employees in WBGS and Israel, including settlements, 2006

	Median daily wage		Av. daily wage		Av. monthly days		Av. weekly hours	
Sector/region	WBGS	Israel	WBGS	Israel	WBGS	Israel	WBGS	Israel
Agriculture	40.0	69.2	52.0	77.9	18	19	39.3	41.5
Manufacture	65.4	134.6	78.7	130.6	22	22	44.9	45.7
Construction	90.0	140.0	98.5	139.6	17	18	39.2	41.7
Commerce, hotels, restaurants	61.5	134.6	81.2	135.8	24	24	49.1	45.7
Transportation, communication	60.0	-	76.7	-	23	-	46.3	-
Services and other	76.9	134.6	84.1	135.3	25	24	39.8	43.7
Total	73.1	134.6	83.3	131.6	23	21	41.7	43.8

Source: PCBS, Labour Force Survey 2006.

These are the two sectors with the fewest average monthly working days and fewest average weekly working hours, indicating a higher degree of underemployment compared to other sectors.

In all regions employees in services and commerce work on average most days per month. In the West Bank and Gaza Strip people working in commerce and transportation/communications work the longest weeks, while that is the case for employees in commerce and manufacture in Israel (Table 6).

The median daily wages in the Palestinian areas are only 54 percent of those in Israel, but Palestinians work on average two more days per month in the West Bank and Gaza Strip than in Israel. However, people work on average two hours less per week in the territories than in Israel.

Lower salaries, increased living costs

The growth in wages has been unevenly shared between the West Bank and Gaza Strip. Wages increased 17 percentage points more from 1999 to 2006 in the Gaza Strip (35 percent) than in the West Bank (18 percent). Of the four governorates in which the localities used in this study are placed, the increase was largest in Gaza governorate with 33 percent, second highest in Ramallah with 17 percent, followed by Nablus with 15 percent, while Jericho had the lowest growth with a 7 percent increase in average daily wages. The expanded public sector and the wage increase of recent years has had a stronger effect in Gaza than in the West Bank, as a larger proportion of the employed in Gaza work in the public sector compared to the West Bank (41 percent versus 17 percent) (PCBS 2007b).

The most important wage increase in Gaza happened between 2005 and 2006 when the average daily wage leapt 11.3 percent compared to 5.7 percent in the West Bank. In comparison, the average wage increase was at 6.3 percent in both locations between 2004 and 2005 (PCBS 2007b, Table 46). However, a higher wage increase in Gaza does not automatically imply improved purchasing power, as the costs rose more in Gaza than in the West Bank in the same period. Adding to the average wage income in the West Bank, however, is work in Israel and settlements, a sector which workers in Gaza have become excluded from.

As emphasized above, higher wages do not imply increased purchasing power, as the increase has not kept pace with inflation. Adding to the effect of inflation is the higher degree of underemployment and a shift from wage employment to self-employment, leading to a significant loss of income for most families compared to pre-Intifada times. According to calculations made by the Democracy and Workers' Rights Center based on figures from the PCBS, Palestinian households' monthly median income decreased from NIS 2 600 before the Intifada in 2000 to NIS 1 600 in October-December 2005 (Global Policy Network 2006:8). Fafo's poll carried out in December 2006 shows

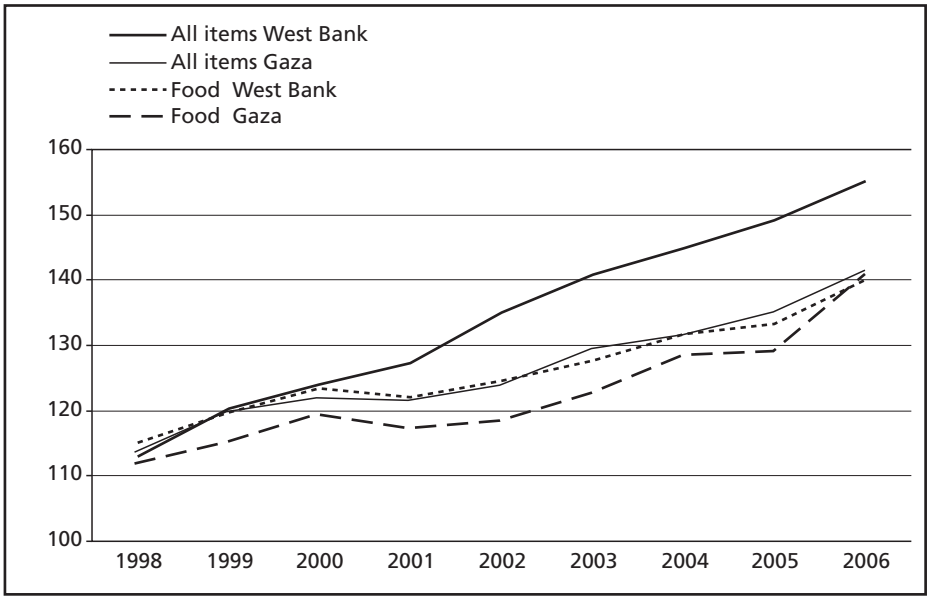
that this negative development continued in 2006 as 47 percent of the respondents reported having experienced a severe deterioration in personal income in the past year, while an additional 25 percent claimed that their income had slightly deteriorated (Fafo 2007a). Seven percent however, reported improved personal income, while the condition did not change for the rest (Fafo 2007a). In July, the household's monthly median income had dropped to NIS 1,500 (Fafo 2007b). The mean household income per month stood at NIS 1,929, NIS 2,152 in the West Bank and NIS 1,647 in Gaza (Fafo 2007b).

A reason why people are suffering from economic constraints is the fact that prices in general have risen steadily since the pre-Intifada years. The consumer price index (CPI) for food has increased more slowly than the overall index, except in 2006, where the price of food in the Gaza Strip increased by nine percent (Figure 2).

The CPI for Gaza and the West Bank, including Jerusalem, increased by 3.8 percent during 2006 (PCBS 2007a). Prices of transport and communication services had the highest increase of 5 percent, while the second highest price increase was on food, of 4.6 percent, followed by beverages and tobacco with an increase of 3.3 percent. The costs of education and health are also included in the CPI and increased by 1.6 percent and 1.5 percent respectively.

As shown in Figure 2, prices rose steadily from 1998 to 2000, but in the following year the prices of food in the West Bank and all costs in Gaza evened out. In Gaza food

Figure 2 Average yearly consumer price index for food and all items in West Bank (excl. Jerusalem) and Gaza Strip by year (Base year 1996=100)



Source: PCBS, Consumer Price Index.

prices even decreased. From 2002 onwards prices again increased, but at a slower pace than before the Intifada started. The exception is the overall price index for the West Bank, Jerusalem excluded. This is largely due to a high increase in transportation costs. In 2002 transportation costs rose by nearly 22 percent in the West Bank, and in the following years high transportation and communication costs have contributed to a greater overall increase in the price index for the West Bank than for Gaza.

The two regions compared, the price level is still considerable higher in the West Bank than in Gaza, especially with regard to transportation, housing, furniture, services and education, but the price level on food has nearly equalized.

The growth in the consumer price index for the West Bank and Gaza Strip between 1998 and 2006 was stronger than in both Jordan and Israel. Whereas the price on all items in the Palestinian areas rose by 39 percent, the comparable figure for Jordan is 23 percent (Department of Statistics, Jordan). In Israel, on the other hand, the price growth between 1998 and 2006 has been much weaker, only 11 percent, and the prices fell both in 2003 and 2006 (Central Bureau of Statistics, Israel).

While taking into account that total household wage income has been reduced in the West Bank and Gaza Strip during the Intifada as described earlier, the price increase contributes to weakening people's overall purchasing power even further. Thus, compared to Israel and Jordan, Palestinians are suffering more from price increases than people in the two neighbouring states.

Economic conditions and aid flows

Both Palestinian society and the Palestinian Authority are heavily aid dependent, and the many years of conflict have strengthened this dependence. The PNA's own revenues derive mainly from direct taxation which normally amounts to about USD 15-20 million per month, and clearance taxes collected in Israel on behalf of the PNA, which should amount to around USD 50-60 million per month. The arrangement of tax transfer from Israel to the PNA was established in the Paris Protocol, which was incorporated into the Interim agreement – "Oslo 2"[4]. Israel halted these transfers after Hamas came into government, and only paid part of them during 2006. Clearance revenues from 2006 were estimated at USD 733 million (PCBS, 2007a:1). The status in March 2007 was that Israel still owed the PNA USD 475 million.

Total government revenues collected during 2006 reached USD 351 million, a decrease of 71 percent since 2005 (PCBS 2007a:1). This led to a decline in govern-

[4] Under the Paris Agreement, Israel forwards to the Palestinians monthly clearances on five accounts: import tax, value added tax, fuel excise tax, income tax and health tax.

ment current and other capital expenses of 38 percent and a decline of 76 percent on development expenses compared to the previous year (PCBS 2007a:1). Needless to say, the loss of income led to an acute economic crisis within the whole society.

Budgetary support doubled in 2006 despite boycott

To cushion the worst effects of the fiscal boycott of the government by Israel and the international community and to prevent a humanitarian crisis, the European Union, which has for many years been the largest contributor to the Palestinian Authority, nearly tripled its aid to USD 218 million in 2006 compared to USD 78 million in 2005 (Table 7) (PNA Ministry of Finance 2007).

Since the money could not be channelled through the Ministry of Finance or other governmental institutions, a Temporary International Mechanism (TIM) was established in summer 2006. TIM was channelled via three windows (IMF 2006):

1 Non-wage running costs of ministries to sustain health, education and social service delivery through the World Bank's Emergency Services Support Programme (ESSP), a multi-donor trust fund;

2 Fuel payments to the health and water sectors through the European Commission's Interim Emergency Relief Contribution;

3 Allowances to PNA workers and welfare recipients.

The first window was managed by the World Bank and the money was channelled through the Office of the President, while the rest went directly to the suppliers and beneficiaries. Other countries found similar ways of transferring money to the Palestinian community and in total the PNA received nearly USD 722 million in budget support in 2006 which was an increase from USD 349 million in 2005 (Table 7) (PNA Ministry of Finance 2007).

Table 7 International assistance to the PNA in 2005-2006 (in USD)

Donor	2005	2006
Arab countries	187,921,340	156,681,064
League of Arab States		215,028,244
Arab institutions	6,906,988	68,721,250
European Union	77,823,574	217,692,273
Fund administered by the World Bank		37,361,000
World Bank Emergency Programme	21,400,200	6,277,463
Other international donors	54,483,069	19,952,423
Total	348,535,171	721,713,717

Souce: PNA, Ministry of Finance, International Relations and Projects Department.

The most significant support in 2006 was the grant from the European Union, while the Arab League was the second largest contributor with a total of USD 215 million, compared to zero the previous year (Table 7). In addition, several single countries donated money to a varying extent. The Fund administered by the World Bank transferred USD 37 million and the World Bank emergency programme contained USD 6 million.

In addition to the funds transferred through the Office of the President or through TIM, one expects that about USD 180 million was smuggled into the West Bank and Gaza Strip through other channels (Hass 2007). Exact figures are, however, impossible to verify.

Overall, public employees received nearly 45 percent of their salaries in 2006, of which 33 percent was paid by the government and 11 percent from the European Union through the TIM (PCBS 2007a:1). The payments started for some employees in June, later for others depending on sector. Low-paid employees received a relatively larger part of their payment compared to high-ranking personnel.

Other humanitarian assistance

Before the eruption of the Intifada, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, UNRWA, gave food and cash assistance to refugees living under what were termed "special hardship conditions". Due to a general worsening of living conditions during the first year of the Intifada, UNRWA began to distribute food packages to the entire refugee community in the Palestinian areas.

The World Food Programme (WFP 2005:3) has increased its support to non-refugees, and the protracted relief and recovery operation that was initiated in 2005 planned to support 480,000 non-refugees, of whom 49 percent were women, in the period from September 2005 to August 2007. The target groups were the chronically poor and people who had become poor and food-insecure. The chronically poor were assisted through relief food distributions in cooperation with the Ministry of Social Affairs, while the new-poor were offered food-for-work and food-through-training programmes implemented in partnership with governmental and non-governmental organizations. The WFP projected to assist 64 percent of the food-insecure non-refugee population that had come under the targeting criteria of this operation; the remaining 36 percent were believed to have a wider range of income opportunities and coping mechanisms. Of the total target beneficiaries, 30 percent were in Gaza and 70 percent in the West Bank (WFP 2005:7).

A survey conducted by the Palestinian Central Bureau of Statistics in 2006 revealed that almost 30 percent of the interviewed households had received some humanitarian assistance during the 2nd quarter of 2006, of which 15 percent in the West Bank

and 57 percent in the Gaza Strip (UNRWA 2006:46). At the same time, 70.5 percent reported that they needed assistance.

UNRWA is by far the largest aid provider in the West Bank and Gaza Strip and was, according to the above mentioned survey, responsible for 46 percent of total aid, followed by the PNA Ministry of Social Affairs and relatives, both at 14 percent, and international organizations at 9 percent. About 7 percent of the aid received in the second quarter of 2006 came from charitable organizations or persons, including *zakat*.

All three opinion polls Fafo has conducted in the West Bank and Gaza Strip during 2005 and 2006 show that UNRWA is the institution in which most Palestinians have confidence. Sixty-seven percent expressed either quite a lot or a great deal of confidence in UNRWA both in December 2005 and in 2006. The poll conducted in Gaza after the Israelis' unilateral withdrawal in September 2005 showed that 78 percent had confidence in the UN institution. In comparison, only 38 percent in the West Bank and Gaza had the same level of confidence in the government in 2006, up from 27 percent the previous year, and 33 percent trusted the Palestinian NGOs in 2006, a drop from 43 percent in 2005. The high level of confidence in UNRWA, which no other institution can match, mirrors the scope of the Agency's activities. No other institution, other than the PNA, is able to provide help for such a large group of people as the refugee community represents.

Most of the aid (61 percent) received in the period July-September 2005 was provided in the form of food supplies and 2 percent in cash (PCBS 2005:6). One year earlier 40 percent of the total aid was food and 32 percent cash. Since 2001 the recipients have increasingly given priority to food aid over cash assistance. Whereas only 11 percent had food aid as their first priority in the survey period in May-June 2001, this was the case for 45 percent in July-September 2005. In May-June 2001, 37 percent gave first priority to cash assistance compared to 19 percent in the reference period in 2005, and 20 percent said in 2001 that their first priority was to find a job, while 15 percent stated the same in 2005. Increased reliance on food aid may be both an indication of the worsening of people's livelihood and an increase in the donor community's willingness to provide such type of aid. During the first years of the Intifada, the unemployed and newly poor could rely to a larger extent on savings and assistance from relatives, but after more than six years of conflict, the economy has deteriorated to a stage where most people find helping others outside their own household increasingly difficult.

Coping strategies

In our last study on coping strategies in the West Bank and Gaza Strip in 2002, we found that the escalation of the Palestinian-Israeli conflict after 28 September 2000 had led to the destruction of infrastructure and property in addition to the loss of lives. The movement restrictions in West Bank and Gaza had resulted in severe setbacks for the Palestinian economy, including increased unemployment and poverty (Sletten and Pedersen 2003). Still, the key factor for continued food security for Palestinians was the fact that approximately two thirds of the labour force was in employment. Earnings were distributed to close family members as well as other relatives. Those who had lost their regular income coped by spending their savings, reducing expenditures and selling off gold and land while searching or waiting for new employment. Purchase on credit increased in importance, as did change in diet and stopping payment of electricity and water bills. Food aid was considered of lesser importance than presumed, except among the pre-Intifada poor who already depended on aid before the Intifada. For many people, food handouts represented only a small addition to their household income, as most still managed to put food on the table themselves. The report from 2002 concluded that the main reasons why a humanitarian crisis had not yet broken out were the stable salaries from the PNA and aid to the poorest by UNRWA and the Ministry of Social Affairs. The wages paid to those who had a job played an important direct role and also had a very important trickle-down redistributive effect.

In 2007 we find that although unemployment has officially decreased since 2002, the share of part time employed and self-employed has increased. In practice, this means that household income has decreased in many families. Additionally, when the international boycott and transfer-stop of revenues from Israel also resulted in irregular and smaller pay checks for PNA employees in 2006 and 2007, the conditions severely changed for many families. Our hypothesis before this current study was that people's coping strategies have to some extent changed or been adjusted during 2006 and that the daily struggle has increased for most people as employment, salaries, savings and human resources are even scarcer now than before, after six years of conflict. The aim of this part of the report is to examine how people cope with crisis; in what way they earn a living, and how they manage with limited means.

Deterioration in labour market 2006- 2007

Interviewees in all sectors describe an unstable and reduced labour market since the election in March 2006. In the private labour market it is difficult to run profitable businesses, and salaries have decreased considerably. Construction workers, for instance, complain about having less work than before as 2006 was a particularly bad year. Many report having either lost their job in the construction sector completely, or having been forced to work fewer days per week, which fits well with the figures in Table 6 showing that construction workers work fewer days per month than workers in other sectors.

Employers have also been heavily affected. They have not necessarily been forced to change work, but many have had to lay people off. The workload for their companies has also been reduced. A contractor in Gaza already started to face difficulties at the beginning of the Intifada. The closures led to problems accessing construction materials like cement and iron, as most of what he needed was imported, and according to him, the prices of those materials rose by about 50% in just a few years. The closed borders were impediments to those with contract work in Israel, and led to a surplus of workers inside Gaza. High prices, lack of material and too many workers led to less work for his firm, and when there was only work for about one week per month, he let three workers go. He kept his two brothers employed, although they only have work occasionally. His monthly income was about USD 250 before the Intifada but it decreased rapidly afterwards, and since January 2006, his firm has had work for maybe one week every 3 or 4 months. He estimated his monthly income to be about NIS 400 (USD 100). "It is very difficult to calculate because I don't work regularly", he said.

Another contractor, from Beit Furik, similarly reported huge loss of income during 2006 as public offices have cut maintenance, and private households have kept refurbishments or new building to a minimum. This contractor, who has his business in Nablus, said that his firm's daily income has dropped from about NIS 1000 in the pre-Intifada days to about NIS 200.

People working in the manufacturing industry voiced the same concerns as the construction workers and contractors. They complained about low wages and reduced workload. A factory owner in Beit Furik is cutting the workforce during times when there is little demand for his products. His factory was established two years ago, and produces t-shirts and boxer-shorts for an Israeli company located in a nearby settlement. To keep the production costs low, this factory owner mainly employs women. A female informant who worked in the sewing factory earned NIS 370 per month, and had a working day from 7 am to 4 pm. She is a widow who lives with her four year old son, parents and younger siblings and is the only one with employment in her household. Women like her are especially vulnerable to temporary lay-offs in the workforce.

For Palestinians who still go to work in Israel, the working conditions are very unpredictable. The majority work in construction or agriculture, and most sneak in

without a permit and take whatever work is available. Many do not have a job lined up before they go, while others only set off after they have been called up by contacts in Israel who inform them that there is work available at this particular time. The transport is organized through Palestinian Israelis who probably profit well from West Bankers going to work on the other side of the border. Going to Israel without a permit is risky, and since travel is both expensive and challenging, many stay there for weeks before they return home.

Farmers reported that their work has become more and more difficult as they are suffering from low prices on their agricultural products and increased expenses. The farmers claimed that the price of animal feed has increased by 100 percent between 2002 and 2007. The feed is imported from Israel. The rise in costs of animal feed has not been followed by the same price increase in agricultural products, farmers reported. They also claimed that the price of some agricultural products is very low at times due to poor local purchasing power. For example, in Jericho the auction price for a box of squash at the local market was NIS 7 at the time of the fieldwork, which meant a total loss for the farmers since it didn't even cover the cost of harvesting and transportation to the markets. So instead of selling their squash, farmers we met decided to leave it to rot. Although the consumer price index shows an increase in food prices, it does not necessarily benefit the producers. Most probably, the rise in transportation costs has a greater effect on food prices than the increased production costs. Therefore the agricultural workers are falling behind economically, although there are regional differences. As shown previously, the wage increase in Jericho has been far below that in the other governorates, and as we will discuss later, farmers we met with in Jericho struggle much more than farmers in Rantis.

The tourism sector has suffered throughout all the six years of Intifada. Of the four locations studied, it is the people of Jericho that are most affected by the loss of tourism. Next after Jerusalem and Bethlehem, Jericho used to be the most visited town in the West Bank by both Israeli and other foreign tourists. The lack of tourists has led to closure of tourist attractions, shops and restaurants and thus a dramatic drop in income for many families. A majority of the service sector and shops in general in all four locations studied struggle to cope with the increase of sales on credit. Shop-owners reported that the situation deteriorated during 2006; the purchasing power and the amount of money in circulation decreased when the 24 percent of Palestinians who had had a secure income through the Intifada suddenly stopped getting their pay checks.

The public sector has expanded during the past years, and nurses, doctors, teachers, and security officers have not felt the daily struggle and uncertainty of the labour market in quite the same way as private employees throughout the Intifada. However, in 2006 and 2007 they too experienced the difficulties of an unstable income. Most public employees have kept their jobs, but have been working for long periods for little or no pay.

Creativity and diversity

The analysis from the 2002 study divided the Palestinian workforce into six categories, namely job-keepers, entrepreneurs, hibernators, day-to-day strugglers, pre-Intifada poor and leavers. The job-keepers were those who had been able to keep the same job they had before the Intifada, and their households were the ones that managed best. However, the job-keepers with a fixed income gained an increased burden as the number of people depending on their income increased. The entrepreneurs consisted of a minority of people who had lost their jobs but had started something new or had adapted their existing business to the new, poorer market. The entrepreneurs managed, to a varying degree, to cope with the new challenges. A third category was the hibernators, who lost their jobs, lived on their savings or on the goodwill of other people and waited for better times. They would go back to their original jobs if the opportunity arose, and were particularly the workers that used to work in Israel. The day-to-day strugglers were people without permanent employment who did not have enough savings or networks to draw on to become hibernators – or they did not want to do so. They constantly tried to find new ways of securing an income, but failed to achieve a stable livelihood. Nevertheless, many day-to-day strugglers managed to work on an ad-hoc basis, and earn some income. The fifth group contained those who were already poor before the start of the Intifada, and the leavers were those who had emigrated from the West Bank and Gaza Strip.

During fieldwork in March 2007, we found that the categories from 2002 were no longer as easy to classify as before. During years of hardship many of the people we talked to in 2007 had in some way or another belonged to at least two categories or more since 2002. First of all, few people stayed hibernators for many years. When the conflict was prolonged they were forced to find other means of income and became day-to-day strugglers or even entrepreneurs. Many of the job-keepers had experienced that even if they had kept their jobs, the income or working hours decreased, and thus forced them to come up with additional or alternative income-generating activities. Entrepreneurs who were successful in 2002 had often lived through shifts in the market and a deteriorating economy which had destroyed their business. Some of the entrepreneurs managed to adapt by changing their products, others became day-to-day strugglers for a shorter or longer period until some of them started up new businesses. In 2007 we found hibernators among PNA employees and newly failed entrepreneurs; those who had had a stable or good income for some time could afford to live on savings for a short while. However, the most common feature six years into the Intifada was the widespread mixing of jobs and income generating strategies. Most of the people we interviewed had had several different jobs during the previous years, and many had two or even more income sources at the same time. As the prospects of employment and income are so unpredictable, and people's savings and personal buffers are scarce, the importance of having many strings to one's bow is emphasized. Being flexible, crea-

tive and adaptable seems to be vital since the job market and the economy change and rotate continuously. Having been well-off before the Intifada started, or in possession of a post with the PNA, saved many people from struggling in the first years of the uprising. But as the economic situation deteriorates, these groups are eventually also forced to search actively and continuously for other means of income.

Changing work

Many of our informants reported that they have been forced to or voluntarily chosen to change work during the Intifada; either because they have lost their job or because they believe they can make more money with another type of work. Some of them have changed profession permanently; others keep changing jobs as the market changes.

A man who runs a local vegetable shop said that he was originally a tailor before the Intifada. When the factory he worked for was shut down, he started working in construction in Israel. However, as he did not have a permit to work there and it became harder to get work, his family's economic situation deteriorated significantly the first years after 2000. In 2004 the man decided to try something new; he borrowed money from the bank and bought a truck. At the same time, he and his son opened a vegetable store on the ground floor of their house. They figured there would be a market for vegetables in the village and explained their strategy like this:

> "Before, vegetable dealers used to come from outside to the village, but now that people are more dependent on buying on credit it is easier for them to buy in a local shop. The dealers from outside are not so willing to give credit, so we figured there would be a market for locals like us."

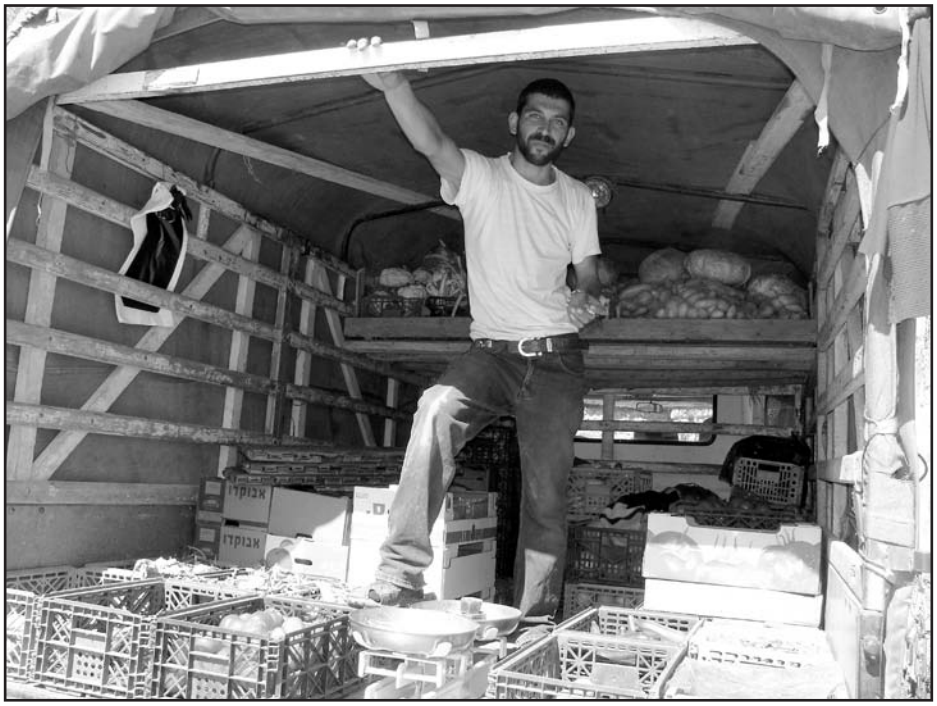
The man and his son use the truck to go to the market in Nablus or Ramallah twice a week to stock up on goods. They also use the truck to drive around to other villages in the area to sell vegetables to shops there or directly to customers. They are happy with the way the business is going and believe they will be able to continue to make a living from it. People always need vegetables and as long as they can use the truck to reach more distant markets and customers, they are not dependent on the local market only.

Many of those who reported that they have changed profession during the Intifada are former workers in Israel. One man said that he went to Israel as often as he could at the beginning of the Intifada, and when he was not in Israel he took temporary work wherever he could find it. Most of the time he would assist on construction sites, help farmers who needed an extra hand or dig wells in people's gardens. In January 2007 he stopped going to Israel as it became too risky and there was too little available work. Instead, he searches for work at different construction and agricultural sites in his locality every morning but only succeeds in finding something a day or two per week. To add to

his income he started picking a type of herb called *akoub* in the fields on the outskirts of town. He goes twice a week and brings home between 5-10 kilos each time which he sells for NIS 5-6 per kilo. The fields where the herbs grow are located 10 kilometres from his house, and since he doesn't have a car or a donkey he has to walk there and back. The collecting of herbs is therefore a full day's work. The akoub-picking is a risky business as it is located in the C area, which is under full Israeli control in accordance with the Oslo Accords. He is sometimes chased away by Israeli soldiers or settlers who claim it is prohibited to pick these herbs for environmental reasons. People who pick them may get a fine of NIS 1,000. As the season for this type of plant only lasts for a few weeks, the income is not by any means sufficient to feed a family. To compensate further for the loss of income, this man's wife takes part in a food-for-work project and receives the most basic food via the municipality. The husband's occasional work, the monthly food delivery, and in addition to some home grown vegetables are enough to keep the family of seven from extreme poverty. This family has some credit in the shops but always pays its bills when the husband has earned some money. In fact, according to the wife, their situation has not deteriorated dramatically during the Intifada. The head of household had occasional work then as he has now. Before the Intifada, when he worked more regularly in Israel, he was, however, able to save some money, and they were able to stretch those savings for some time. Now there are no savings left, so in fact the situation has changed for this family as well.

Another unemployed tailor used to work in an Israeli settlement in the Jericho area until he was arrested in 1985 for political activities. He was in and out of prison for a few years. Meanwhile he had no permanent employment but worked a bit here and there in Jericho. In the mid nineties he got a new job in agriculture in a settlement and worked there until the second Intifada started. Then he had to quit due to lack of a work permit. Since he is a refugee with impairment due to an injured leg, and has children of school age, he gets special support from UNRWA, and he has twice had temporary work provided by the agency. In 2003 he opened a shop in his house with help from the camp popular committee and from his brother. He was able to keep it open for two years until he became bankrupt due to customers' unpaid debts of NIS 1,800. His previous customers still owe him money and have only paid back small amounts. Now he has stopped claiming from them. He is still unemployed and survives with support from UNRWA and his brother. Due to his handicap he is classified as a special hardship case and receives a coupon for NIS 120 each month that he can spend on food.

The main impression is that only a few have fixed employment in Israel, while the majority take on work on an ad hoc basis. The push factor for seeking work in Israel is the constrained Palestinian labour market, whereas the pull factor is the higher salaries. For those who end up going to Israel the pull factor is stronger than the risks it entails. However, a significant number of people have stopped going to Israel due to fear of



Vegetable salesman in Rantis

being arrested by the Israeli police or IDF. For some, the cost of being imprisoned or fined for having tried to cross into Israel illegally outweighs the hypothetical outcome of such an attempt. Imprisonment jeopardizes the whole family, leaving them without a breadwinner. If a household has many breadwinners, the risk attached to being caught is less.

Approximately half of the people who work for Israelis are employed in Israeli settlements on the West Bank. Again, some have permits while others have not. Among the respondents in this study, work in settlements is most frequent in Jericho, although both Rantis and Beit Furik are surrounded by settlements too. When Jericho was under complete closure in 2003 and 2004, most of the workers were prevented from going to work, while the easing of this condition during 2005 again enabled them to take up their work, if the employer would still have them. During the years of closure, some of the employers would go to the checkpoint and pick up their workers from Jericho, so the impact for these workers was minimal compared to all those who were suddenly out of a job. Some of the laid-off workers coped by living on savings for some time, but when the savings ran out, their relatives functioned as the main security network as for so many others who had lost their work.

During the past six years the number of taxi drivers increased in both the West Bank and Gaza. Starting a taxi service became a coping strategy for many who had lost their

jobs in Israel or elsewhere. According to regulations each taxi has to be registered and a fee is required to get a taxi licence. Lately however, the authorities have not been strict on law enforcement, and more and more people have established taxi services without approval, especially in Gaza. This has led to a higher supply than demand, and some long-time taxi drivers sold their cars and invested in something else instead. This is what happened to a man from Gaza in his mid fifties. In 2004 he came to the conclusion that the taxi business had become too competitive and dirty, and therefore decided to open a mini market instead. He pays JD 500 (USD 714) annually in rent for the shop where he sells the most common groceries. Until 2006 his shop had a surplus, but he has struggled since like most other shop-owners because his customers have problems paying for the groceries they buy. He survives because he also buys on credit from the traders. During the past year his turnover was reduced by 50 percent.

A former factory worker from Gaza is one of those who turned to the taxi business as a coping strategy when the sewing factory he worked in closed down in 2005. He only lasted for a few weeks as a taxi driver because the economic output was very low and the lawlessness in the streets made the job very difficult. Since his wife is a nurse at a public hospital he could afford to stop driving, which would not be so easy for others who are the main breadwinners. Now he was unemployed and his family survived on his wife's income and on credit in shops.

Very few of the people identified in the study who have changed work during the past few years have profited significantly. However, if the reason for change was forced, the change was obviously successful since the alternative would have been unemployment. Those who succeeded had an economic base and could afford to take a loss. Others who started from scratch were much more vulnerable to set-backs.

Creating work

Some of the people who changed their line of work became successful entrepreneurs. One type of commerce that increased in demand following the outbreak of the Intifada was trading. The number of traders was boosted after the closures were put in place. Earlier, the shopkeepers were better able to go to a nearby city and buy products needed for their shops. With the establishment of checkpoints and at times when towns were under siege, the shopkeepers faced too much uncertainty related to fetching goods themselves. It was both time-consuming and insecure, and in some locations it was totally impossible for a long period. As a consequence, the number of traders or wholesalers increased. Traders face the same restrictions and delays as others, but they work for several shops and have made transport of goods between the supplier and sales outlet a business. Having obtained travel passes where possible makes their work easier, but in times of complete closure, not even the traders can pass through checkpoints. A trader in Beit Furik rents a driver and a truck each time he goes to buy products in

Ramallah, Nablus or Jenin. He started this business in 2002 and is one of five in this location. Each trip costs him 100-300 NIS depending on the distance and the time spent on the journey. Although products are cheaper in Jenin, it is less accessible due to a strict checkpoint between the two towns. However, his monthly profit amounts to NIS 4,000-5,000 while transportation costs lie between NIS 1,000-2,000.

Another trader, the first one to start distributing vegetables in Beit Furik, used to work as a truck driver before the Intifada. At that time people paid him to transport different groceries and cigarettes from Jenin to Beit Furik. There was no vegetable production in Beit Furik, and the shop-owners bought what they needed from the market in Nablus. When the Intifada started and it became impossible to go to Nablus, this man drove shop-owners to Jenin in order for them to obtain vegetables for their shops. While providing this transport service he got the idea of becoming a trader in vegetables himself. He stopped renting out his truck, started buying vegetables from farmers and the market in Jenin, and sold them to shops in his town. Right after the closure came into effect in 2002 he was the only vegetables trader in Beit Furik. Nowadays there are several, but he still distributes to 18 shops in his town.

According to this trader, the most important reason why shop-owners buy from him is that he accepts purchasing on credit. A shop-owner present during the interview agreed, and added: "If I had money I would have bought directly from the supplier".

A man from Jericho, who used to be a contractor in Israel before the Intifada but quit shortly after its outbreak due to travel restrictions, has also succeeded as a wholesaler. With the money he had earned in Israel he invested NIS 30,000 in a shop with storage facilities and supplies. After six years in this business the value of his products and commodities is seven times higher than the investment he made. He believes strongly in buying only in cash and in buying in bulk to get lower prices. The key to success, he said, is to take only a small profit, to be competitive. "With low prices, you sell more", he added. His clients are shop-owners, and they owe him nearly NIS 400,000. The year 2006 was also a bad one for him. Not only did the amount of credit increase, but the sales dropped significantly as well. To accommodate his clients he started to sell frozen meat which is half the price of fresh meat. When asked what he will do to reclaim the money the customers owe him, he answered:

> "Since God helped me accumulate NIS 30,000 to start a new business and I now have goods worth more than NIS 2 million and I bought land and built some houses, I have to be patient with my customers while they have a crisis."

From the suppliers' point of view, the use of traders and wholesalers has become valuable too. Selling to traders enables them to avoid the confrontation about credit with the end customer. Although the supplier gets a lower price when selling through traders, the security of return is higher than if he sells directly to a variety of shops. A survey among traders in the West Bank and Gaza Strip reveals that credit from suppliers to

traders has increased much less than credit extended by traders to their customers after 2006 (FAO and WFP 2007: 34). In Gaza traders even report that credit amounts extended to them by suppliers have decreased during the past two years (FAO and WFP 2007: 34).

Another story of entrepreneurship is of a man who moved from raising chickens to selling used goods collected in Israel. His chicken farm went well the first four years, but after having lost NIS 10,000 on three flocks of chickens in one year due to the high price of animal feed and disease among the chickens, he decided to give up. He was unemployed for a year and a half before he decided to go back to Israel, where he had worked for many years before the Intifada, to find some work. On his first attempt he gave up after 5 days. He found no work and returned after having spent the NIS 300 he had borrowed from a friend – NIS 200 for transport and the rest for living expenses while away. Upon his return, he was still out of a job, and felt he had to try his luck again. He borrowed more money from his friend, returned to Israel the following week– still without a permit – spent three days without finding any job, and wanted to return home again. However, returning home would mean another failure and an increased debt that would be impossible to repay, so he prolonged his stay for a few more days. He found his way to a well-off neighbourhood in Tel Aviv, found used appliances that rich people didn't want any more, collected them, brought them back home, and sold them on the market in Nablus where the demand for used goods had grown during recent years. From the profit from this trip, the entrepreneur was able to repay his debt, but his friend was in no hurry to get his money back, so he went back again. This time he came into contact with people who sold used commodities in Israel, and he established a working relationship with them. His Israeli contacts collect commodities and call him when they have a pile he can come and buy. Upon his return to the West Bank, he sells the products to a trader for twice what he paid. The trader takes the goods to the market in the city. In this way the entrepreneur has created a living for himself, the trader and the salesman in the market, out of products that Israelis no longer have use for.

What enabled this man to succeed in this new business was both his willingness to take a risk and his ability to speak Hebrew. Since he has to gain entry into Israel illegally, he always faces the possibility of being caught by the Israeli police, but he calls himself an adventurer and this is, in his opinion, the best way for him to provide for his wife and children. The man had been unemployed for over a year, and was desperate for money, and the loan from his friend made his project in Israel possible. From his previous work experience in Israel he knew Hebrew and the cultural code in Israel, giving him an advantage in his relations with the Israelis. For instance, to avoid attracting too much attention, he always dresses in Western clothes when he goes there and he has learned not to give in too easily. He was proud to tell the story about the time he was offered a used washing machine from a private household in an apartment building

in Tel Aviv. The owner wanted to give him the machine for free, if he could come and collect it himself, which meant carrying it down five floors. The man responded that he was happy to take the machine away, but only for a payment of NIS 50. He went away with both the washing machine and the NIS 50. People with an entrepreneurial mind have a better chance of succeeding than those who don't see the possibilities.

Another successful entrepreneur, from Rantis, was one of the "success stories" in the 2002 study. At that time he had been able to take advantage of the new closure regime facing the workers who were passing through Rantis on their way to Israel. He had set up a profitable coffee shop and a grocery store near the checkpoint where workers used to wait for their truck or taxi to come pick them up, and vice versa. The business went very well and he could sell for around NIS 100,000 a month, to customers who came from near and far. In the fall of 2005 he had to close the coffee shop as all customers disappeared when the road through Rantis into Israel closed. He kept the grocery store which brings in about NIS 20,000 in a good month. This shop struggles with an increasing amount of credit like most other shops, and the owner fears that the approximately NIS 35,000 debt owed by clients from afar, who used to be regular passers through, is unlikely to be repaid. To adapt to the new circumstances, this entrepreneur established an egg farm one year after he shut down the coffee shop. Together with a partner he invested NIS 250,000 and at the time of the interview they had 4,500 hens producing 4,000 eggs a day, which gave each of the partners a monthly gross profit of about NIS 20,000. Although they still have a large debt on the farm, the farmer felt this was a good business and a good alternative to working in Israel. When he is able to, he will buy a car for one of his sons so that he may enter the transportation business, but for the moment he has enough work with the egg farm.

Both of the two men described above have been able to turn a difficult situation into a profitable one, but not all have had the same success. Another man, who had also lost his job in Israel after the outbreak of the Intifada, tried his luck in different ways until he started up an egg farm in 2003. He borrowed money from his brother and was able to repay the loan within 18 months. By the time he could finally start making a profit for himself, all the hens fell ill, stopped laying eggs and died. "It was like a curse", he said. He chose not to invest in a new flock of hens, and was unemployed for a year. He sold his wife's gold for JD 700 (USD 1000) which was spent on household consumption. Eventually he started to work in construction for his cousin, and earns JD 10 per day (USD 14). He also participates in the work-for-food project in his town. When asked why he does not go back to Israel to find better paid work, he replied that it is too risky. In 2000 his permit to go to Israel was not renewed, although he had been working there for 10 years. Since he is only 29 years old, he fears that he will be imprisoned if he gets caught sneaking into Israel, and he believes he will have to pay a fine of NIS 2,000, which he cannot afford. If he were 40 years old, he would have tried.

It is not at first glance easy to tell why the one succeeded and not the other, especially since the young man who lost his egg farm probably would have been able to take up a new loan and continue with the business. Both the second-hand salesman and the young man failed in chicken or egg farming, which might be due to lack of knowledge of the business. The second-hand salesman admitted defeat and started with something new, while the young man was afraid to make a new investment. The possibility of working in construction with his cousin has saved the young man from total poverty, and therefore the need to create yet another business was not as urgent for him as it was for the man who turned into a second-hand salesman. The shop-owner and egg farmer from Rantis did well with his first investment in the coffee shop, and had a better economic base than the other two when he had to close what to him had been a gold mine. He even has two sons who work in Israel. However, he too had to borrow money to establish the egg farm, and like the others, he did not have any prior knowledge of the egg business. Plausible reasons why he has succeeded are his several income sources and business experience.

There were fewer entrepreneurs among the respondents in Gaza compared to the other localities. However, the possibility of finding new employment in Gaza is generally more challenging than in the West Bank, and therefore starting up one's own business is a worthwhile strategy there as well. Continuing in the same line of business as your previous job is one strategy used by a young man in Gaza who previously worked in his father's restaurant in a refugee camp. His father decided to close the restaurant in 2004 due to shortage of business. The camp was no longer a suitable place for it and he was getting too old to start a new restaurant elsewhere. The son, on the other hand, knew it was difficult to find employment and decided to start his own eating place in another part of Gaza city. He took over the equipment from his father's facilities and borrowed USD 840 from an uncle to cover the first year's rent on a new premises. The restaurant went well the first year, but it regressed in 2005 due both to competition from new establishments in the same street and lower purchasing power among his customers. To face these challenges he reluctantly changed from fresh to frozen meat as his competitors had done before him. This helped the turnover in his restaurant, and today he runs with an acceptable surplus.

In Gaza in general, however, the problematic situation stemming from closed borders and high unemployment are not the best incentives for creating new establishments. The opposite is happening, businesses shut down.

Entrepreneurship may also develop on a smaller scale, and sometimes a new business can be developed quite coincidentally, as for this woman in Jericho, who opened a clothing shop in mid 2001 to compensate for her husband's huge drop in income at that time. In 2004 one of the shop's customers paid her debt with a goat instead of with money. The shop-owner saw the possibilities in selling goats, eventually bought some more, and started up goat breeding in the garden of her home as a side business.

Now the family has five goats, and four baby goats for sale. During 2006 their monthly income was between NIS 1,500-2,000, depending on her husband's work.

There are different levels of risk-taking, and whether one terms people who start up a new business "entrepreneurs" or not is not the main issue. The determinants for success are creativity, willingness to take risk, access to money and market adaptation. Below we will look at some other cases that might also be classified as entrepreneurial, although with smaller investments.

Mixing work

While the entrepreneurs have succeeded in creating a new opportunity for themselves, there are many who tried to do the same but failed. People without regular employment or workers who have been forced to reduce their working week at their main job will typically look for additional work to increase their income. The majority of these are day-to-day strugglers who used to work in Israel. During the first couple of years after losing their job, they could live off savings, while waiting for the situation to be restored to a pre-crisis level so that they could return to work in Israel. Many thought it was worth the wait, since the income level in Israel greatly exceeds that in the West Bank and Gaza Strip. As time passed without a solution to the crisis and as savings were exhausted, those who couldn't find new permanent employment took on temporary work.

Many of the day-to-day strugglers combine work in different sectors. A common combination is to have temporary work in both the construction and agricultural sectors. A man with experience of tiling or other building work can also take on seasonal harvesting work. The household may own some animals and produce cheese or eggs for sale to add to their income. Youth and health are valuable assets for these workers without fixed employment. At the age of 50 many feel too old to continue work. From that time on, they rely on their sons or on saved resources.

The day-to-day strugglers are among those with the worst living conditions, although to a varying degree. Their situation is dependent on their social network, whether friends or relatives are able to give them financial assistance in times when work is hard to find, or the ability of their network to channel work to them. Persons with large social networks have a higher probability of finding work.

A typical day-to-day struggling family is represented by this family of eight in Beit Furik. The head of household, aged 38, has no permanent employment, but he looks for work in the construction sector on a daily basis. None of his children aged between 5 and 16 years old are employed. During the first two months of 2007 he had worked for two weeks in January and three days in February. According to him, January was a good month. He usually earns 13 JD (USD 19) per working day. In 2006 he worked for about 7-8 days a month, which was a lot less than in 2005.

To add to the household income, the family invested in four sheep in the summer of 2006. They bought them on credit from the wife's father. Today they have five sheep, one goat and eight lambs. The wife milks them and makes cheese. The day of the interview she had sold nine kilos of cheese made during the past 5 days, of which she kept about 200 grams for her own family. She received NIS 90 for the 9 kilos. She sells to different customers, this time to a trader who does business in Nablus. During the four months per year the goats have milk, she sells cheese and earns between 100-110 NIS weekly. The expenses connected to the breeding of the sheep and goats amounts to NIS 74 (50 kilos of seeds) per week, resulting in a net income of about NIS 30. This particular day, when she had received NIS 90, she was left with a surplus of NIS 16.

Another struggler with several, however small, income sources is a 61 year old widow from Gaza. Her husband died 20 years ago and left her with his butcher shop premises which she has rented out since. The annual rent of JD 150 (USD 210) is her main income. Being a refugee, she gets the usual ration of food support from UNRWA and special hardship support including a little money, which she claims is sufficient for her needs. Sometimes she sells the flour from the food package because she cannot bake bread and earns around NIS 40. The widow lives in a small one-room house in a refugee camp from where she sells small amounts of sweets and biscuits to children in the neigbourhood. The sweets are brought to her with the help of a neighbour. Her daily income from this sale amounts to between NIS 5-10, and added to the annual rent income and assistance from UNRWA it is enough to keep her out of poverty.

A destitute poor man in Gaza has found another way of earning money. He collects people's UNRWA coupons and picks up their food packages at every delivery because they do not like to collect them themselves. For this he earns about NIS 400 every three months. In addition he assists the special hardship cases in the same way on a monthly basis which brings him NIS 200 monthly. This man is on the Ministry of Social Affairs' list of people in need, and usually receives a monthly amount of NIS 350. The past year however, the assistance has been cut or paid in occasional lump sums.

Day-to-day strugglers with small and mixed income sources were the largest group that we identified during the study. All the possible ways of making a living are being explored and tried by the increasing section of the population that does not have fixed employment. The difference between the day-to-day strugglers and entrepreneurs is that the former initiate small scale activities while the latter invest more and take greater risks.

People with fixed employment do also mix jobs to a certain extent. Although they are generally better off than the unemployed and the underemployed, 2006 was also a difficult year for this group, especially the public employees. Since the establishment of the PNA, public workers have represented the main bulk of the emerging middle class in Palestinian society (Hilal and Khan 2004). Following the income shortage since the Hamas takeover, most of the PNA employees are still in a better economic

condition than many other employed individuals. Although their situation deteriorated dramatically, they, in contrast to many others, received some allowances as a meagre compensation for the salaries the PNA could not afford to pay. However, for many this was far from enough to live on, and several became aid dependent. The PNA employees in high positions faced the largest drop in income, while most teachers, policemen and health workers received about half of their salaries. During 2006 many were forced to adapt to poverty. Not knowing when the next paycheck would come was a challenge reported by all in this situation.

What coping strategies each and every public employee relies on depend much on their personal capacity, their family situation and existing resources. The most resourceful are in a position to find extra work to compensate for loss of income.

It is not uncommon for public employees to have extra work in the private sector. Teachers are in a position to offer extra tuition after school hours to pupils who struggle. Although this has been ongoing for years, it most probably increased during 2006 when the schools were affected by the strike in the fall. Parents we met with in Jericho organized teaching groups for their children and paid out of their own pockets. In other locations we were informed that a few teachers either gave private lessons or lessons at community centres for youth and women. Some students we met were of the opinion that many teachers perform poorly at school deliberately so that their pupils will be in need of extra tuition. The teachers, on the other hand, explained the need for private classes by referring to overpopulated classrooms, unsuitable for high quality teaching, and the low calibre of many students.

Public health workers, being doctors or nurses, also have job opportunities in the private sector. Relevant work might be in pharmacies or private clinics in the afternoons and evenings. A surgeon in Jericho is one example of someone who has compensated for his loss of salary in the public sector by operating a private clinic in addition to his work at a public hospital. His salary at the public hospital is normally NIS 5,000 per month, but he was only paid NIS 10,500 out of the NIS 50,000 he should have earned between March and December in 2006. Income from the work at the private clinic and home consultations has "saved him during the times of hardship", as he expressed it. His priority, he said, is to protect his children from his financial problems, and he tries his best to provide them with the same living standard as before the election. Securing their education is his first priority.

A doctor from one of the other localities did the same thing. He is fully employed at a military hospital, but runs his own private medical clinic in the evenings and week-ends on the ground floor of his home. His clinic fills a need as the society has suffered from a strike in the public sector. Also, since his town lacks a public 24 hour clinic he also accepts calls at night.

Apart from finding related work in the private sector, some public employees have started up other work which is not necessarily related to their profession. Most of our

informants who had taken on such extra work had opened a shop. Such businesses are often run in cooperation with other family members, who can take care of the business during the morning hours. A young male teacher in Beit Furik, still living with his parents and siblings, has opened a mobile phone repair shop that he runs in the afternoons and evenings. Sometimes his elder brother looks after the shop for him. Although this man was employed six months before Hamas won the election, he had not received any regular pay even in the months prior to March 2006. The explanation was apparently that public teachers have to work for six months before they get their first payment. He claims the government owes him NIS 34,000, but all he has received are allowances amounting to a total of NIS 4,500. The mobile phone repair shop does not compensate for the loss of income, but in a good month he earns NIS 500. The month prior to our interview he earned NIS 300 for fixing other people's mobile phones.

A male teacher in Rantis decided in 2002 to start a grocery business in his house in addition to the job at school. Since he already had the space in his house, he spent his savings on buying some of the goods that he wanted to sell in the shop and did not have to take out much loan. The extra income from the shop has spared him from the worst effects of the loss of salary from the teaching job, although the amount of credit he has given customers in the past year has increased tremendously. In spite of the significant sum that customers still owe him, the income from the shop makes a difference for him and his family.

The willingness and ability to run a business in addition to the main work is linked to the relatively short working day at public schools and clinics. Teachers and health workers often finish work at 2 pm.

Most of the public employees interviewed did not, however, have additional work; none of the respondents in Gaza nor any of the police officers. For some of them the financial crisis in the PNA also led to loss of other transfers than salaries which aggravated the economic problems. One example is a family in Beit Furik consisting of seven people, who all mainly relied on the eldest son's employment as a police officer. In 2006 this family lost not only the monthly NIS 1,500 salary of the son, but also a monthly grant of NIS 1,000 from Fatah given to the head of household for his long service to the party. The main breadwinner, who had not found extra work, worked as a police officer in Ramallah and came home only at the weekends. The head of household was an older man in poor health, and his other children were all attending school. He had established a grocery store a few years ago after he lost his job in Israel, but was forced to close it down during the summer of 2006 due to the high amount of accumulated credit. To cope, the whole family, except the police officer, went to harvest vegetables in Israel for three months during last summer, and they plan to do the same again, once school is finished. They borrowed money for the travel and related expenses

from a family member, which was repaid upon their return. The income lasted for a few months during the autumn.

Due to the long term economic depression that Palestinian society is suffering from, households' financial situation has in general deteriorated as outlined in the section about wages earlier in the report. At the same time prices have increased, and hence people have been forced to find alternative ways of adding to their income. As shown in the examples above, there is no lack of effort.

Opening shops

Opening a grocery or a vegetable shop was one of the strategies many newly unemployed turned to early in the Intifada years. Many shops have also opened since 2002, and many have shut down. The establishment of a shop requires some resources, while selling vegetables from a cart is less resource-demanding. Within the localities studied, we found many different types of sales outlets. Some have invested a significant sum of money in a proper store with a variety of products, others have moved their shop to a smaller premises to save rent and adapt to reduced demand, some sell vegetables from a cart and others have enlarged their already existing shop.

A few shops have profited from the strict closures, as it has forced people to do their shopping locally, yet others have lost business due to the completion of the separation barrier between the West Bank and Israel. In times where passing the checkpoints is less strict, local shops in villages face harder times because people then enjoy shopping in the nearby city. The grocery shops are less vulnerable to these changes than clothing shops or other utility stores. People prefer to buy clothes or appliances in the cities because there is more variety there, and the stock in the village shop soon becomes outdated.

What are the determinants for success for the shopkeepers? Some of the workers who lost their jobs in Israel invested savings in a shop. They spent savings and pensions collected from their former employers. Some have been successful while others have not. One man who used to be a mason in Israel opened a grocery store in his neighbourhood in Beit Furik in 2003. It started well, but after two years his customers owed him NIS 21,000, and in the summer of 2006 he could no longer afford to continue. This man had no experience of running a shop, and he had limited financial resources, in fact he had to borrow USD 4,000 from the bank to be able to establish the business. Although he was one of the political leaders in the community, this was not enough to make people repay him what they owed him. The majority of his clients were people employed in the PNA who were unable to repay their debt due to the fiscal crisis.

Another man in the same community opened a shop as well, in 2004, and it runs with a modest profit. This man had work experience from a shop in Nablus and had better preconditions to succeed. He had some savings and received JD 2,000 (USD

Newly opened shop in Beit Furik

2,800) from his former employer when he quit. However, this man works together with his mother, who applies stricter rules on credit than the man who went bankrupt. The owner himself did not like to refuse anyone credit, but his mother felt freer to deny them since she is not the owner of the shop. If she had sold anything on credit, she would go and collect the debt shortly afterwards.

Four months prior to the interview the shop-owner got a job as a salesman for an Israeli company with a monthly income of NIS 4,500. Since that time his mother has been working in his shop during the daytime, while he takes over upon his return to the village sometime in the afternoon. His job as a salesman for an Israeli company gives him the opportunity to bring goods to his shop in Beit Furik himself. In this way he saves unnecessary expenses from using of traders.

Some, like the owner of a computer company in Gaza, have started to refuse customers credit and have been forced to reduce their prices, which keeps the profit to a minimum. Many of his competitors have started to import very cheap Chinese products, instead of good quality hi-tech products that are simply too expensive for most people to buy, he said. He refuses to sell low quality products, and has faced a 30 percent drop in income in the past year. He admitted that his refusal to sell computers on credit slows his business down, but in an effort to keep his clients he gives them a 20 percent discount when they pay in cash. The month prior to our visit, he

had only sold four computers, an indication of slow business. This man has, however, made some successful moves to adapt to the financial crises. In 2002, when we visited him last time, he had made a success with the sale of refilled ink cartridges instead of brand new ones. This saved the customers a lot of money. His invention in 2006 was refilling of Laser ink cartridges, which saves the customer 50 percent on the cost of a new one. The company owner is very satisfied with this innovation as it helps both his customers and his own business.

The economic stagnation has had a more negative effect on clothing and utility stores compared to groceries. Everyone needs to buy food, while spending on other commodities is cut. An owner of a sports shop in Jericho has experienced how limited the market is for sport shoes and clothes. He already invested a lot of money in this shop in 1992, money he received from a former employer in Jerusalem when he quit his work as an accountant at a hospital. In addition to his own money, he borrowed from his uncle. In total, he invested nearly USD 40,000. The shop did not do very well even though it was the only proper sports shop in Jericho at the time. He kept the shop but started to work in a casino to be able to repay his loans. Unfortunately the casino closed at the end of 2000. Two years later he opened a new shop, selling groceries, sweets, chocolate and cakes. This, he said, turned out to be a failed strategy as well, as the Jericho market is not particularly suited for these products due to hot and dusty weather conditions. His electricity bills in the summer months were higher than the income. He closed the shop in 2005 and went back to the sports shop. This time he changed strategy and focused on the sports club market. He keeps only a few samples of clothing in his shop so that the clubs can come and look at the samples and order team kits. In addition, he sells cheap Chinese clothes and shoes, and he has a deal with the wholesaler not to pay for the products until they are sold. This arrangement gives the shop-owner less profit, but it is a way of avoiding cash problems. However, the shop still does not run well, and he explained this by stating: "There simply is no market for sportswear in Jericho". As a consequence of the slow business in his shop, he is taking on some part- time work elsewhere whenever the opportunity arises. He has worked for the YMCA and other foreign funded NGOs. It is, however, his wife, employed by UNRWA, who is the main breadwinner in the household. She earns NIS 1,200 a month.

The main determinants for success in the shop sector are very similar to those that apply to entrepreneurs, namely a solid economic base to sustain the loss of income, more than one income source, and previous experience in sales or business management. Persons lacking money and experience struggle much more than shop-owners who have both financial resources and some knowledge of shop keeping. Finally, as the last example shows, there must be a market for the products sold. The accumulated credit was, however, the main challenge for all the shop-owners. A major problem is

that some customers who buy on credit actually are in a position to pay, but they do not want to and use the situation to refrain from paying.

Shopkeepers have been forced to accept an increasing amount of sales on credit. Although this is a traditional paying arrangement in Palestinian society, the extent of credit given to customers today exceeds anything the shop-owners have ever seen before. The many years of reduced purchasing power in the population in general are the main reason, but lack of normal salaries paid to the PNA employees has reinforced the problem.

In order to survive, some shop-owners have started to accept other methods of payment than just money. Paying the bills with olive oil, telephone cards or food has become increasingly common. The shopkeepers accept this to some extent because it is better to receive something than nothing, and if the commodities can be sold in the shop, it is not such a bad deal. The high amount of credit has forced many shop-owners to buy supplies on credit themselves. Having a relationship of trust with the traders is of paramount importance to make this system work.

There is, however, a limit to what the shop-owners do accept as payment other than money. A shop-owner in Jericho encountered a customer who wanted to pay a large debt with mobile phone cards, because he was a trader and got these cards at a preferential price. The shop-owner accepted this payment only partly, because he knew that the customer was in a position to pay in cash since his business is quite good. So, most shop-owners consider the options carefully. Getting money back is definitely a priority, but other commodities are accepted only when the chances of receiving cash are low or when the commodity received is easily sold, such as pre-paid mobile phone cards.
Some shop-owners cope best by being very strict on allowing customers credit, while others say accepting credit is a condition for survival. Denying someone credit is the same as giving up on a client, and therefore many choose not to. The customer would then get credit in another shop, meaning that the first shop-owner lost a client to a competitor. However, losing business from clients who never pay is perhaps after all the best strategy. For those nearly bankrupt it is a question of giving up completely, knowing that the debt will never be repaid, or holding on hoping that some of the money will be collected. A shopkeeper who owns the building where his shop is located is of course in a much better position to keep his store than someone who is dependent on renting the place. Common for all of them is that the year 2006 has been the worst of the Intifada years. Although the previous years were also difficult, at least a larger share of the population had salaries and was in a better position to pay for the goods that they purchased.

Much of the collected debt is from the beginning of the Intifada, and much of it will never be repaid. This puts the shop-owners in a very difficult situation, and many are too ashamed to claim it. One shop-owner in Beit Furik said the following about his situation:

"In total, since the beginning of the Intifada, customers have unpaid debts of around NIS 100,000. Of this, I expect to receive NIS 50,000. NIS 20,000 are from the first days of the Intifada and I'm sure I will not see that money again."

Working the land

Three of the localities examined in this study are predominantly agrarian communities. In these places farming can be a low threshold alternative for the unemployed. Farming entails anything from growing herbs in the garden, to raising lambs or chickens and to cultivating olives or wheat on a large scale. Only 16 percent of the employed work within the agricultural sector at the national level, yet in rural locations a lot more people are dependent on farming than in urban areas. While 50 percent of the employed in Nablus governorate work in agriculture, only 15 percent do so in Ramallah and 5 percent in Jerusalem district (PCBS, 2007b). Further north, in Tubas and Jenin, the dependence on agriculture is even higher than in Nablus.

Many households that had experienced a sudden drop in income during the Intifada had started to rely more on farming, which fits well with the trend shown in Table 3. Families who own land normally use it for cultivation. Olive production is easily combined with other work, while animal breeding demands constant attention and having parallel work is not easy unless you work in cooperation with partners or family members. The proportion of Gross Domestic Product (GDP) that derives from agriculture dropped steadily in the decade preceding this study, from 13 percent in 1994 to 10 percent in 2000 and finally to 7 percent in 2005 (World Bank 2007a:1). In 2006, however, agriculture activity increased by 6.8 percent compared with 2005 although the GDP declined by 6.6 percent overall (PCBS 2007a). The sectors that lost most relative economic importance between 2005 and 2006 were construction and industry which declined by 12.9 and 6 percentage points respectively in the GDP (PCBS 2007a).

Although the relative economic importance of agriculture has increased, the sector is marked by low labour intensity. In 2006 only 8.5 percent of the skilled employed in the agricultural sector worked 35 hours or more per week, while 23.4 percent worked between 15-34 hours and 54.6 percent worked 14 hours or less (PCBS 2007b:103). In spite of the low intensity in agriculture, the outputs from this sector measured in the GDP have increased due to the negative development in industry and construction on the one hand, and to the increased workforce on the other.

The interviewed farmers reported a number of difficulties related to their work which give support to the suggestions above. Some problems, they claim, are structural while others are market dependent. The structural problems are connected to the lack of cooperation between farmers in some locations. Many farmers complained about

Successful greenhouse owner in Rantis

a poorly developed cooperative system which prevents efficient development in the agricultural sector. In Beit Furik the olive farmers are better organized than the animal farmers. Three hundred olive farmers are joined in a cooperative. Together they own and run an olive press which employs 10 workers. To increase their efficiency, farmers in this cooperative, together with the Ministry of Agriculture, have decided to invest in an automatic olive press in Beit Furik. The investment will be a co-sharing between the two parties, meaning that the farmers themselves have to provide for half the cost. The cooperative saves money from each year's profit from the press. So far they have saved JD 20,000 in four years, but need an additional JD 30,000 before they can buy the press. Once the new press is in place, the farmers expect to increase their income as the new press will be much more efficient and will demand less manpower. They hope to attract more olive farmers from neighbouring villages to use their services.

The cooperative does not, however, assist the farmers with marketing or sales, so the only advantage the members have is the sharing of the press. The main problem reported by the olive farmers is still, as it was in 2002, lack of access to markets. One farmer was of the opinion that Palestinian olive oil has the potential to sell well in the rest of the Arab world and could be marketed as 'holy oil'. The problems related to marketing and exporting stem not only from lack of cooperation between farmers

but also from movement restrictions and partly from protectionist policies in the neighbouring countries. One farmer had explored the possibility of exporting oil to the Emirates, but as long as he could not travel there himself, the arrangement became too difficult. Even exporting to Jordan was problematic due to Jordanian import regulations. The olive farmers we met with therefore only sold to the local market. One had waited to sell his harvest in the hope that the price would increase later in the season. Apart from that there were not many strategies in use to raise the level of income from the olive harvest.

An animal farmer in Beit Furik complained about lack of cooperatives. He is a member of the livestock society, but there is no regional cooperation, and since the Hamas government came into power the Ministry of Agriculture has not been functioning, aggravating the farmers' situation even further. In 2003 the ministry distributed 500 kg of animal feed to all farmers, and every year they provide vaccines for the animals. The handout of animal feed did not continue, and in 2006 the vaccinations came months too late, resulting in diseases in the animals, and huge loss of income for the farmers that were hit. Farmers with a solid economic base could replace the deceased animals, but the farmers we met were not in that situation and now have fewer animals and less income.

Vegetable farmers in Jericho pointed out that the price of a product depends on the demand and on access to markets. If the Israelis are in need of Palestinian products, they will make export to Israel possible. If there is a closure in Hebron, an important market for Jericho agricultural products, the prices of vegetables from Jericho will decline. This insecurity related to reaching the markets while the vegetables are still fresh, makes the farmers very vulnerable. Even some hours delay due to checkpoints can reduce the quality of the products, which in turn will lower the market value and the farmers' income. At the time of the survey, a farmer in Jericho let his squash rot on the farm because the market price was too low. A women growing tomatoes as a side business did the same. If the farmer gets less money per kilo than the cost of harvesting and transportation, there is no point in selling.

Low prices and transportation problems were not mentioned among the farmers in Rantis. Those we met with mainly sold to the local market. One respondent and her husband, who is also the head of the village council and an imam at the local mosque, established Rantis' first greenhouse with tomato production in 2005. The family, together with a partner in Ramallah, rented 1.5 *dunums* of land (approx 1,000 square metres) on which they built the greenhouse. The partner invested JD 4,000 (USD 5,600) while they spent JD 1,500 (UDS 2,100) of their savings. The business has turned out well and the last tomato season gave both partners a good surplus. They sell partly on credit, but the customers, both private people and shop-owners, usually pay back the amounts overdue. People in the village have noticed the success this family

has had, and three more greenhouses have been established since. This family does not fear competition, but added the following:

> "People will always need tomatoes, and if we can't sell them in the village, we can sell them somewhere else. The fact that tomatoes are basic vegetables was one of the considerations we made before starting the project in the first place."

When asked if they wanted to expand their business, the answer was:

> "No, we like it the way it is, and we can manage the workload without hiring people to work for us."

So while some farmers complain about lack of cooperation and low efficiency, this couple who run the greenhouse are content with keeping their business at a level they and their partner may manage on their own. The husband is employed by the PNA and the earnings from the greenhouse are additional income.

Some of the farmers, who have not had the same success as the couple with the greenhouse, have sold parts of their land to face the economic downturn. Others have adjusted to less income. Selling part of their livestock is another way of securing income, well knowing it will lower future income. However, this is what many have done in order to cover their basic needs like food and education for their children. Yet others, as discussed earlier in this chapter, changed profession after having lost all their investments in a farm.

Since the farmers' conditions depend upon both the market demand and on access to markets, better cooperation between farmers could make farming more efficient and more independent of Israel. Today the Palestinian economy is highly reliant on Israel as nearly 60 percent of the West Bank's exports, mostly labour intensive, low value goods, are sold to Israel, while 90 percent of imports come from Israel (Haaretz 16/4 2007). However, there are regional differences even within the West Bank. Farmers in Jericho especially, but also in Beit Furik complained about low prices, while that was not the case in Rantis. The greenhouse farmer in Rantis got NIS 25 for a box of 15 kg tomatoes, while a farmer in Jericho only got NIS 6 for a 12 kg box. A lifting of movement restrictions would have reduced transportation costs and erased much of these price differences.

Animal farmers are vulnerable to the government's relation to the Israeli authorities. As all vaccines and most of the fodder are imported from Israel, the farmers have no influence on the costs. The delay in vaccination to the farmers in 2006 led to diseases that could have been avoided had the animals been vaccinated in time. However, the farmers could not import the vaccines directly from Israel without going through the PA, and the PNA was not able to provide for it in time.

The farmers also need more education about their work. Animal breeding requires knowledge about the feeding and environmental conditions required for the animals,

and too many of the farmers who took part in this study admitted to having no experience before starting up a chicken farm or lamb production.

Another problem related to farming is loss of land due to the building of the separation barrier and due to the settlements. By building the wall, Israel has expropriated 10 percent of Palestinian land in the West Bank, including East Jerusalem (World Bank 2006a: 12). For some of those who have kept their properties, the wall has separated their homes from their land, making agriculture very difficult due to access regulations. People with land close to a settlement are hindered from using the land out of fear of settler violence. While farmers in Rantis suffer mostly from loss of land due to its location close to the wall, settler violence is a problem for the population in Beit Furik where there have been many reports of attacks during the olive harvest. There is little the farmers can do to protect themselves from the settlers, and even protection from the IDF is not sufficient as the fields are spacious and the soldiers patrolling the area are few. The landowners have stopped relying on the harvest from these areas and leave the opportunity to others who are willing to take the chance. This land has low market value, so selling it is not an option. An animal farmer in Jericho also reported problems related to nearby settlements. Before the settlements were built, he used the surrounding areas for grassland for his cattle in winter time. Now he has to keep his cattle inside a small area, mostly indoors.

Concluding remarks on labour as a coping strategy

Having employment is undoubtedly the most effective coping strategy. However, during 2006 and the first part of 2007, for a great number of people it has not been enough to have only one job. Due to the fiscal crisis both public and private employees struggle to make ends meet, and many have therefore sought extra work to compensate for lost income. The population studied has had a varying degree of success in their search for work.

A second striking feature of the labour market is that many invest considerable amounts of money in businesses without having prior knowledge of how to run such a company or assessing the market in advance. Those who had experience and had considered carefully the needs of the market have had considerably more success than others. The third and most common finding was that a huge part of the labour force was searching for employment. Many of them are not considered unemployed, according to the ILO definition, as they pick up temporary work on a weekly basis or they are self- employed with limited income. Very few able-bodied men were sitting idle at home doing nothing to find employment.

Women are only rarely breadwinners, but those who were often worked in the public sector or they took part in a family business or in home-based food production. Although the cultural norm is that women stay at home after they have children, it

seems to be increasingly accepted in the society that these women also take part in the labour force as the need for extra income is immense.

Although most people both in Gaza and the West Bank localities struggled to make ends meet, the respondents in Gaza have fewer opportunities. Because the Israeli labour market is completely sealed and movement of goods in and out of Gaza is restricted, the local industry is near collapse. Even self-employment opportunities are scarce as there is little money in the market to pay for services.

Depending on aid

Food aid and financial support are important contributions to the everyday life of unemployed Palestinians in the West Bank and Gaza. This is also reflected in statements from our respondents. Half of our respondents say they have received aid on various occasions during the Intifada; several say they receive aid more or less regularly. Our main findings correspond with the PCBS statistics; institutionalized aid is well established in Gaza where the majority of households depend on it, whereas in the West Bank aid is far less available and reliable, and mainly targeted at special hardship cases.

UNRWA – stable aid to refugees

The main source of aid in 2006 to Palestinian households is UNRWA (PCBS 2006a). 45.6 percent of aid beneficiaries in the West Bank and Gaza received support from UNRWA in the second quarter of 2006. Before the second Intifada, UNRWA only offered food and money assistance to specially registered hardship cases: families of widows, single mothers, disabled, chronically ill or for other reasons long-term unemployed household heads, etc.. During 2000 to 2006, food aid was extended to all refugee households, except households where the head or his wife was employed by UNRWA or the PNA. After March 2006, the food aid is also to include refugees employed by the PNA if they do not receive a salary or are restricted from going to work (UNRWA 2007b). Cash support in addition to the food rations is still reserved for families registered as special hardship cases. In Gaza, 9 percent of the refugees are registered as special hardship cases, while that is the case for 5 percent of refugees in the West Bank (UNRWA 2007c). The special hardship families receive both food and money and are heavily dependent on the UNRWA aid.

Due to the high density of refugees in Gaza, a larger part of the population receives UNRWA food assistance in this area than in the West Bank. All in all, UNRWA distributes food packages to 158,000 refugee families (approx. 792,000 persons) in Gaza and to 102,000 refugee families (612,000 persons) in the West Bank (UNRWA

2007b). In total, 54 percent of the population in Gaza and 25 percent of the population in the West Bank receive food support from UNRWA. The food packages contain flour, rice, sugar, powdered milk, lentils and sunflower oil, and are designed to cover the food needs which the refugee beneficiaries cannot acquire from their own resources. According to UNRWA, the refugees in Gaza, where the levels of poverty and unemployment are highest, receive greater quantities of food per person than refugees in the West Bank. In 2007, the food packages distributed in Gaza are estimated to cover 76 percent of recommended daily needs, while the packages distributed to the West Bank should cover 35 percent of daily needs (UNRWA 2007b).

The majority of the UNRWA food package receivers included in our study claimed that the food support is vital to them in everyday life. The quantities of the products they get from UNRWA appear in several cases to be sufficient, and especially in Gaza they often say that they do not have to buy additional supplies of these products. A restaurant owner in Gaza with a wife and two children informed that he receives 60 kg flour, 4 litres oil, 3 kg sugar, 2 kg powdered milk, 4 kg lentils and rice from UNRWA every third month. He says that this is enough for his family's consumption; in addition they buy meat, vegetables and cigarettes. How much meat and groceries they are able to buy every month varies, however, the supply of basic food products is stable due to the UNRWA food packages. Similar conditions are described by several interviewees. A refugee family in Rantis emphasized that the food supply from UNRWA is essential for them in their daily life:

> "When the food is about to run out after 3 months, we try to save as much as we can and ration so that it will last until the new supply comes."

While some respondents experience that the rations in the food package are sufficient, others stated that although the food is highly welcomed, it is not at all enough to cover the family's needs. A former worker in Israel living in Gaza in a household of nine persons, receives 90 kg flour, 5 kg powdered milk, 7 litres oil, 8 kg rice, 5 kg lentils and 8 kg sugar in every food package, but said that his big family needs to buy about the same quantity in addition. Some of those who described the quantities of each product in the food packages as insufficient explained that by the fact that many adult members in the family eat a lot more than the children. Others say that they buy more of the products distributed, because the UNRWA package is of low quality. They are used to better standards and still have money to buy the additional products they want.

Among refugees who are not special hardship cases the food packages are distributed equally. This means that the same aid is given to different families with necessarily different individual needs and socio-economic status. That the families are not registered as special hardship cases, implies that they either have other means of income or have members capable of working. However, income and work possibilities are unstable, thus there will be great variations both within families over time and among different

families in terms of assets and possibilities, in addition to already existing variations in salaries. Current resources and needs of each family will influence how they utilize and not least perceive the value of the food packages. We find that the perception and use is adjusted according to economic changes within a family, and also according to new habits following new social status. One respondent said that he always used to buy good quality milk powder for his children at the beginning of the Intifada as he found the UNRWA milk powder of bad quality. Due to lack of money they had to use the UNRWA milk powder for a while, and now he thinks it is good enough. When they need additional milk powder these days he will always try to buy the cheaper UNRWA milk powder from the neighbours, and if he has extra cash he will prioritize other expenses than high-priced milk powder.

Even if a significant number of the interviewees expressed satisfaction with food packages as aid, some stressed that they would rather receive money and decide what they want to buy themselves. A manager in a refugee camp said that even if the UNRWA food packages are the most reliable food assistance there is and thus very important, distributing food is still not enough. He argued that food assistance sometimes includes too much, and what people need is cash. In need of cash, UNRWA beneficiaries may start to sell food at a very low price and destroy the market for other distributors. The manager illustrated this with examples of local bakeries that use flour from aid programmes which they have bought for 10 percent of market value. In addition, he is also concerned about malnutrition, and emphasized that he would like to see some canned food, fish or meat, in the UNRWA packages.

In Rantis and Beit Furik, only a few respondents were entitled to food support from UNRWA. In Beit Furik, UNRWA does not distribute food directly as there is a limited number of registered refugees living there, mainly women married to non-refugees. A female refugee said that she, along with about 30 other refugee women in town, picks up her regular food packages in a refugee camp in Nablus five kilometres away. At times of closure of either Beit Furik or Nablus, the refugees have had to postpone the pick-up of the food packages. A refugee household in Rantis reported that their food aid is delivered regularly in the village even if there are few other refugees living in the area. The cash support, on the other hand, has to be collected in Ramallah on an irregular basis which causes difficulties for the families in question as transportation is costly.

In addition to food aid, all refugees in both Gaza and the West Bank, no matter their social status, are entitled to benefit from free education and health services provided by UNRWA. These services are located in the UNRWA refugee camps but are also open to refugees living outside the camps. As there are many refugees and refugee camps in Gaza, beneficiaries in this area more often live in or close to a camp than non-camp refugees in the West Bank and have better access to these services. A refugee family interviewed in Rantis complained about not being able to benefit from UNRWA's free education possibilities. Even if they are entitled to free school, the closest UNRWA

school is too far away and thus not an option for their children. They attend the local school and pay fees like everybody else. The school fees in public school in the West Bank have decreased significantly during the current crisis, but poor families still express that this is an expenditure they struggle to afford.

An elderly poor refugee woman in Rantis said that due to the long travel and high transportation fees she has not been able to use the subsidized medical care in the UNRWA hospital. The woman is referring to the UNRWA hospital in Qalqilya about 35 kilometres north of Rantis. Prior to the Intifada, this hospital provided care to a large number of refugees in the northern West Bank, and the bed occupancy rate was 67.5 percent (UNRWA 2007c). In 2003 the rate had fallen to 39 percent. There is reason to believe that the drop is at least partly related to transportation problems and movement restrictions. The number of patients from outside Qalqilya has fallen by more than 50 percent in this period. This example indicates, as do the examples in the previous paragraphs, that food, cash, education and health support from UNRWA is vulnerable to external influence and structural changes in the West Bank. In Gaza on the other hand, the aid seems to be stable and dependable.

As the same aid is given to all refugees in Gaza and the West Bank respectively, regardless of income or socio-economic status unless they receive salary from UNRWA or the Palestinian Authorities, some complain that the aid is distributed unfairly. One family in Jericho received food packages on a regular basis since the husband was a registered refugee, but as the husband had not put his family members on his refugee file, the aid stopped when the husband died. The two children are still allowed to attend the UNRWA school, but they are, according to the widow, cut off from food assistance and poorer now than before.

Most complaints about unfairness of the system of food distribution among our respondents come from PNA employees who do not receive a salary. As mentioned above, refugee PNA employees without salary are entitled to food assistance as of March 2006. However, none of the refugee PNA employees we talked to said they had received food packages in this time period. The only person in this situation who said he has received assistance from UNRWA is a PNA employed in Jericho who received a food package for the first time in January 2007. Our respondents did not seem to be aware of the fact that unpaid PNA employees are entitled to food support for as long as the salaries remain reduced. A female refugee from Gaza, who works as a nurse, said that she has never been entitled to UNRWA support because both she and her husband used to have income. Now, however, her husband was unemployed and she had only received part of her payments during 2006. Their situation had become very difficult and she admitted that they really needed support at this stage. However, no one had offered them any aid and she felt too ashamed to ask for any and said: "I'm employed by the government; I cannot go and ask for help!"

Ministry of Social Affairs

The second most important aid distributer in the West Bank and Gaza during the closure has been The Palestinian Ministry of Social Affairs (MoSA). While UNRWA is by far the main provider of aid and social assistance in Gaza – UNRWA provides 61.7 percent of the aid in Gaza as opposed to 16.2 percent provided by MoSA – UNRWA and the ministry share these tasks more equally in the West Bank as the number of refugees is lower in this area. In the West Bank UNRWA provides 17.1 percent of the aid and MoSA 11.1 percent (PCBS 2006a). MoSA is partly responsible, together with Palestinian NGOs, for providing services in refugee camps in the West Bank, in addition to support to the chronically poor in the non-refugee population. The beneficiaries in the non-refugee population are assisted by the ministry in cooperation with the World Food Programme: 70 percent of the aid is distributed to non-refugees in the West Bank and 30 percent to non-refugees in Gaza (WFP 2005:7).

The MoSA assistance programme is more selective than the UNRWA support, and is solely targeted at chronically poor defined as special hardship cases, such as families of widows, divorced women, sick husbands/household head, very poor households, etc. (WFP 2005:6). The beneficiaries receive either food, money support, or both. Since the election in 2006 there have been severe cuts in the distributions from the ministry, cuts that affect families that are already in a very vulnerable position.

The people interviewed during this study who were entitled to cash support from MoSA all told similar stories. After the election in the beginning of 2006, the regular aid stopped. A poor family in Jericho, consisting of one old man and his two wives, said that they used to receive NIS 100 for each person every month. Since the election they had not received this aid and were struggling to get by every day. The younger wife who is 60 years old, twenty years younger than the other two and the only one who can manage to work, said that she helps neighbouring farmers once a week. It is not a full-day job and she only makes NIS 20, but she is happy for the job opportunity. Asked what the family eats, the younger wife displayed a very thin soup made of potatoes, tomatoes, eggplant and onions. The three old people said they are in desperate need of money, but cannot see any way out. "We are depressed with our life" the women stated, and cried through most of the interview.

This family is among the worst off and was clearly in a difficult situation even when they received the MoSA support. However, there are many that reported extra hardship and struggle due to the missing payments from MoSA. A non-refugee man living in Gaza with a wife and five children is registered as a special hardship case and used to receive both food and money from MoSA every month. The man said that their household used to be quite poor earlier too, but "now we have become among the poorest". He informed that he has tried to find work, but since his health is not very good, it is difficult to find work he can manage. According to him, his household lives entirely on aid and support, and when the money from MoSA stopped, the situ-

ation deteriorated severely. He said that most days they don't cook proper meals, but eat only the cheapest food they can find, usually vegetables such as tomato, potato, cabbage, and eggs.

In Rantis, we interviewed a family with five children, where the mother had died and the father was chronically ill. This family used to receive NIS 330 from MoSA every month before the election which represented their main stable income. They still receive food packages from the local city council now and then, and this food assistance is now the core of their consumption together with herbs and fruit that they can pick for free out in the field. They rarely have tomatoes or vegetables that have to be bought in the store, but they try to have chicken 2-3 times a month.

As the cut in payments from MoSA is critical for families in special hardship conditions, supporting these families has been a prioritized target for the EU money channelled through TIM. Lump sums have been allocated to these families during the second half of 2006, and contributing to that, significant parts of the social support have actually been paid to the hardship families at some point. Most of our MoSA beneficiaries say they have received EU money on one or two occasions in the second half of 2006, NIS 1,500 and 1,000 respectively. For an old, poor man with two wives in Gaza who usually receive NIS 300 every month, this sum covers just over eight months of the total economic support in 2006 and should contribute to ease the hardship somewhat. However, for a family on a very tight budget, the four months of missing economic support definitely makes an impact. A family with a chronically ill father in Rantis said that they received NIS 1,500 and 1,000 in July and September 2006. They usually receive NIS 3,960 every year, so the family with five teenaged children and one adult had to manage with less than two thirds of the money support they usually get. All families we talked to claimed that they experienced a lot of frustration and struggle in the months prior to the first EU payment. And even if the EU money is highly appreciated, the beneficiaries say that the hardest thing for them is that they do not know what the future will bring; there is no predictability and they do not know when there will be money coming to the family the next time.

The impact of the cuts in MoSA support varies from family to family. Although this support targets the neediest, for families with other sources of income a couple of hundred NIS a month may not make such a big difference. A widow with six children from Jericho reported that she used to receive NIS 369 from MoSA every month until March 2006, but also financial aid from two organizations that support orphans. In addition, she has some savings from a previous stay in Jordan. She said that for her big family, those missing 369 shekels a month really did not matter that much. Five women in a focus group in Jericho expressed their impression of the EU emergency support paid to MoSA beneficiaries at the end of 2006, and emphasized that it does not necessarily benefit the ones in most need at that exact moment: "Just because you

had previous assistance from the Ministry of Social Affairs does not mean that you are in need of cash now."

Importantly, poor families that are eligible for assistance but were registered after January 2006, did not receive any money through TIM, according to a MoSA employee in Gaza. That means that newly poor families who experienced severe financial difficulties and hardship due to the fiscal crises in 2006, have not yet received any support from MoSA as of March 2007. Authorities in all four locations visited during fieldwork reported on an increased number of special hardship cases in 2006. Our findings indicate that there are families that do not receive help even if they should technically be entitled to. This is either because they are not recognized by local authorities due to their failure to fit the selection criteria, or to lack of human or economic resources, or because they registered too late to receive the TIM payments. A poor childless woman married to a blind and nearly deaf man living in the West Bank, complained that she and her husband do not receive any kind of aid from anybody. She has heard about other people who receive food packages, but she and her husband have never been entitled to any. She claimed that her husband had been to MoSA and an institute for disabled people three times and asked for help – each time they have told him to go home and wait to be contacted. But they never called. Now the husband is disillusioned and humiliated and does not want to ask for help anymore. The woman believes that the reason why they do not qualify for MoSA support is that they do not have children, but as she said "if we had children we would not need support". She and her husband have a small shop, and until recently it was run by their nephew. However, he had to quit because he got another job, and now they do not have anyone to tend to the shop. She cannot work there herself because it is located in an area where there are mainly male customers, and she therefore finds it inappropriate to work there alone.

An employee in the social affairs office in Jericho said that while the number of beneficiaries increased in 2006, the capacity of the office decreased. A year after the election there were 750 beneficiaries in the Jericho district, and 300 eligible people on the waiting list. Employees in the social affairs office in Jericho are frustrated that so many eligible poor families do not receive help; on the other hand they also express scepticism towards a development where more and more people seem dependent on passively receiving money and food aid from MoSA:

> "These programmes have neither a plan nor a strategy. We (in this office) are not satisfied as our work is not only to provide food packages. We are supposed to find long-term solutions to the problems, help them to find a job and so on. Many are young, they can work. Income-generating projects would be better for them than just financial support. All activities are focused on emergency action."

It is not unusual that aid distribution situations generate frustration in the intersecting point between aid and development. Frustration may build up both politically and

bureaucratically over the dilemma of how aid should be distributed; in times of crisis people need food to survive, but on the other hand, difficult economic situations may continue or even increase if the aid does not contribute to sustainable development. Similarly to other key informants interviewed, the employees in the Jericho office point to the fact that after the election, nearly all donors withdrew and the remaining development projects mainly focus on relief emergency assistance. There are few projects left that engage people in skill- and income-generating activities. The knowledge of not being able to help all the families that clearly need assistance combined with not feeling capable of offering tailored help that suits the beneficiaries they in fact are helping, create a growing feeling of frustration and helplessness among employees in the municipalities and MoSA. Likewise, the increasing numbers of newly poor who do not receive help contribute to the growth of despair and discontent among the needy, directed partly towards the authorities.

Aid through employment

The policy of the World Food Programme assistance in the West Bank and Gaza Strip is that chronically poor families will receive relief food distributions and cash through MoSA while new-poor families are engaged in Food-For-Work (FFW) or Food-For-Training (FFT) programmes through various NGOs and local community committees. WFP's cooperating partners will manage the programme and identify activities that consider the developmental needs of communities. The funds from WFP are budgeted to complement food with non-food items such as tools, training and construction materials (WFP 2005). According to WFP, the current FFW and FFT projects are targeted at 280,000 new-poor annually, which equals 7 percent of the population in the West Bank and Gaza. The focus is "creation or rehabilitation of household and community assets and enhancement of skills, particularly for women" (WFP 2005:10). The programme aims to ensure that selected new-poor participants' food needs are met for eight months per year.

In 2006, 2.5 percent of the aid recipients in the West Bank and Gaza received assistance in the form of employment, slightly less in Gaza (2.3) than in the West Bank (2.8) (PCBS 2006a). During our fieldwork, we came across short-term job creation projects inside UNRWA camps in Gaza and Jericho and a FFW/FFT project in Beit Furik administered by American and French NGOs. There was also a project in Jericho administered by YMCA which offered five days of work for men at NIS 50 a day in addition to a food package, and included classes on home economy and nutrition for their wives. Except for one man who said he had earlier participated in this programme in Jericho, we did not meet anyone involved in FFW, FFT or job creation projects outside refugee camps in other locations than Beit Furik.

In Beit Furik, there have been two FFW projects, one of which is still running. The completed one was called "Chance for work" and engaged 20 people in work for one month in September 2006. The project was run by a French NGO and the criterion for inclusion was that the family had at least six children. The NGO created a list of all families that qualified and selected participants through interviews. Finally 20 people were chosen and went to work in the public sector in Beit Furik for one month. The second FFW/FFT project is larger and still running. It is led and partly financed by the American NGO Committee of Habitat and Finance (CHF). The people employed by CHF are doing various types of work, anything from sweeping the streets to making embroidery; however most of the tasks are designed for women. Altogether, 240 women are involved and 40 men. The programme was reportedly of six months duration initially, but is likely to be extended to one year. The participants are only paid in food, not money.

A woman in a household of seven in Beit Furik reported that she has been part of the CHF FFW/FFT-project since it started in September 2006. She makes embroidery, which she has never done before and has now learnt as part of the project. She works from home, but has to register at the CHF centre every Thursday and deliver the products she has produced during the week, which CHF sells. She does not get any of the money, which she thinks is acceptable as she gets food instead. There are no demands on having to produce a certain number of products each week, but she has to show up and register once a week to receive food. If she registers correctly she will get flour, sugar, oil, white peas, and hummus to a value of NIS 400 every second month. She has received food three times so far. The first two times all the food was consumed within the household, but the last time she sold two sacks of flour to the neighbours for NIS 50 a sack. In the shop, flour usually costs NIS 115 she said, but that is Haifa-flour and of much better quality than the coarser Ramallah-flour she receives in the food packages. All in all, she reports that the situation for the woman and her family is much improved from last year and she thinks it will keep on improving. Last year she had to 'think a million times before making bread' now she usually has everything she needs.

This woman explained that she was chosen to participate in the project because she has a big family (five children), was poor, didn't work and had a husband who was sometimes out of work. She learned about the project from a poster at the mosque and registered at the municipality which chose her name from the list. Her father and her brother also participate in the project. All of them both belong to the same household. According to the woman the CHF usually includes one or two members from the same chosen families. The men work with sweeping streets, construction work or planting. Men who take part in the project can also get food from doing agricultural work on their own land or picking olives for sale from their own trees. They get the same food package as the women, but have to register twice a week instead of once.

Another man from Beit Furik who also participates in FFW, said he does 'municipality work' like sweeping streets and planting trees 5-6 hours every day. He knows from a list at the mosque what kind of work to do. He does not register at the centre as the women do, but signs in and out at the municipality every day. It is nice to get food, he said, but he would much rather be paid in money. Sometimes his household needs other things than what is in the package and they need cash. If they do not manage to sell the food for a decent price, the food package is suddenly worth much less than NIS 400.

The women we talked to do their work either at the CHF centre or at home. Whether working at the centre or at home, the women in the CHF project are learning new skills, FFT, while the men are engaged in work they already know, FFW. We asked the women if they wanted to continue using their skills for income generation after the project ends, maybe start up a small business. One of the women responded that she would like to do that, but that she does not see how it can be possible. She had heard about people receiving loans through micro credit, but she said that one would need two bank guarantees for this. Another woman answered that she had not even considered trying to start a business after the FFT project is finished. It would take resources, time, and professionalism which she claimed to lack; besides, she is a housewife and would like to remain one.

As mentioned above, we also encountered work creation projects in camps in Jericho and Gaza. A year after the outbreak of the Intifada, UNRWA started a job creation project in a refugee camp in Jericho, a project which offers work for unemployed refugees every third month. The jobs last for 15 days and the participants get paid NIS 50-60 a day. According to a camp official, as much as 60 percent of the camp's population is unemployed. Before the Intifada there was hardly any unemployment in the camp. According to the camp official there were not enough people for the jobs available at the beginning of the work creation project, but now people are fighting to get one of these jobs. To qualify for the jobs, one has to be a refugee, be married, unemployed and have children. The PNA employed are per definition employed and do not qualify even if they do not receive any wages. The official said that the camp manager is under a lot of pressure because people constantly come and ask for jobs. Unfortunately, UNRWA does not have enough money to expand the project in the camp.

In Gaza, refugees report about three month-long work creation projects, but they regret that none of these create further work possibilities or permanent solutions in any way, although one may be eligible for a new project once the first one is finished. Of the informants in Gaza, only two had participated in such projects; the first one in two rounds in 2006 and 2007 respectively, and the other in one project in 2005.

Both the job creation projects in the camps and the FFW/FFT projects we encountered in Beit Furik appear rewarding as the participants express satisfaction with being able to work and to receive food or money. However, job creation and FFW/FFT projects are costly and resource-demanding. The projects tend to be relatively

small-scale and time limited with few possibilities of providing long-term solutions to poverty and unemployment. If the participants are not given work and taught skills they are able to maintain or develop after the project is finished, these projects mainly function in the same way as the temporary food or money assistance.

Micro credit

UNRWA launched its microfinance and microenterprise programme (MMP) in the West Bank and Gaza in 1991[5]. The initiative was taken in response to deteriorating economic conditions following the first Intifada and the Gulf War. The project is still running. However, in our fieldwork we did not meet people engaged in micro credit projects except in Beit Furik, and these interviewees were not part of the UNRWA MMP.

In Beit Furik we interviewed three people who had started their own businesses through micro credit support. Two of the women had their businesses sponsored by the European Commission Humanitarian Office, ECHO. They both heard about the micro credit project through acquaintances and wrote an application with a description of their business idea. One of them applied for a beauty/hairdressing salon and after the application was accepted, ECHO brought all the equipment she needed to start the salon; chairs, mirrors, basin, hair dryers, make-up, shampoos, etc. The make-up she received lasted a year and the shampoos around four months. ECHO brought receipts for everything she received, and she had to pay back 15 percent of its value. After five months she paid back the first 10 percent which was NIS 3,000. The remaining 5 percent should be repaid by working one month for free. This was after the salon had been running for 8 months. During that month she didn't take money from any customer, and needy people could come and get their hair done for free.

The other woman supported by ECHO had originally applied for two projects; a shoe shining set and a coffee grinder. She applied for the coffee grinder after being advised by a friend that there was no other grinder in the village, and after seven months she got acceptance for this business idea. She received three machines and 50 kilos of coffee that she should give to customers for free. So she did, and says the customers acquired a taste for her coffee; they liked it and came back for more. The equipment she got was worth NIS 9,700 and she only needed to pay back NIS 1,500 in one instalment. She has created a label for her coffee, and now sells every pack with a nice, coloured sticker with a picture of a cup of coffee, name of the brand and her phone number. The labels cost NIS 150 per 1,000 and she orders them from a company in Nablus, which has also helped her with the design. In addition, she has produced business cards in the same layout. The first year she used a stamp to put the branch name and phone

[5] http://www.un.org/unrwa/programmes/mmp/ June 13th 2007

Woman in Beit Furik who got micro credit support from ECHO for coffee grinder machines

number on every pack, but now she is only using the labels. She came up with all ideas for development on her own and she found it important to create a trademark. Her next idea is to make coffee cups for sale with the same label.

The male micro credit beneficiary we interviewed in Beit Furik owns a grocery store. He has a leg injury and was contacted by YMCA, which gives micro credit to physically disabled people, and included him in the programme. Firstly he went to meetings for nearly a year where the YMCA encouraged the participants by telling them that they were worth as much as other human beings, despite their disabilities. He went to these meetings 2 – 3 times a month. The first two took place in Beit Sahur, near Bethlehem, the rest in Nablus. After these obligatory meetings he got to borrow NIS 12,000 to start the shop. YMCA decided the amount, but he decided what he wanted to invest in. He was not required to write an application. Now he is paying back NIS 200 at the beginning of every month, and the loan is interest free. He also knows of two others that have got loans through the YMCA in Beit Furik. One disabled man has opened a shop like his, and another man got a loan to build a specially adapted bathroom for his disabled daughter. He says that YMCA closely follows up on the beneficiaries, checks on how the business is going and sometimes comes to visit. At times they come to his shop to collect the NIS 200 and other times he goes to their centre in Nablus to pay. They also still sometimes hold meetings. There are 50 – 70 people at the meetings, and

there are also many that do not attend. These meetings mostly focus on encouragement, and sometimes the YMCA teaches practical skills.

The micro credit cases we studied in Beit Furik seem successful; the participants are given sufficient tools and training, and are encouraged to do long-term planning and to work for success. Importantly, as the participants are not expected to pay back all investments made, the projects are not merely based on micro credit loans, but also on valuable start-up capital given as gifts. The micro credit projects mentioned above are also quite exclusive. One is targeted at physically disabled people and therefore bears similarities to the aid offered to special hardship cases by UNRWA and MoSA. The other projects, on the other hand, are targeted at more resourceful people as they select participants through a competition on writing the best application.

With the initial investment partly given as a gift and the rest as a reasonable loan combined with training and coaching, these micro-credit projects may have a sustainnable chance of contributing to the economic development of the society. However, to an even greater degree than FFW and FFT projects, micro credit projects are small-scale and few in number. Micro credit programmes vary with the managing organization; some imply a huge degree of commitment and obligation to pay back the money invested, other programmes only request a smaller, sometimes symbolic sum to be paid back and thus function more like a distributer of cash aid where large sums are given to few people. However, the examples above are testimonies to how relatively small amounts of money may make a huge difference to individuals who lack access to private capital to develop their business ideas.

Other aid sources

In addition to aid from UNRWA and MoSA, interviewees report that they receive support from various other sources, occasionally or seemingly by happenstance, or on a more or less regular basis. They talk about several international NGOs that distribute food packages from time to time, such as the Red Cross/Red Crescent and different Arab charity organizations; financial support in the form of, for example, micro credit from ECHO and YMCA as described above; and home gardens sponsored by a USAID programme, i.e. smaller agricultural plots where they grow vegetables for household consumption.

Widows or women who have severely disabled husbands told us that they get special assistance for their children through 'long distance adoption' of orphans. Since the father is reckoned the breadwinner of the family in the West Bank and Gaza, the children are considered 'orphans' if the father is dead or disabled. According to the families that receive such support, the adoption is arranged by various local humanitarian organizations and usually means that a family in Israel volunteers to financially support a Palestinian 'orphan'. One of the widows says that there are no fixed sums;

the people who 'adopt' the children decide how much money they are willing to contribute. Sometimes the support from one donor stops, and then beneficiaries have to reapply for a new supporter. This woman's children get support from two different organizations. In total, she receives NIS 810 a month for her six children. As there are several such organizations, one may in theory receive help from more than one. One widow informed that her family received such support until September 2005, but then it stopped even though her children were within the age limits. It is very difficult for her to manage without the money. She suspected that Israel perhaps prohibited the organization from supporting Palestinian orphans. Previously, many children in her area used to receive this money, now no one does, she said. However, we came across several families that currently receive such support.

Fatah and Hamas also distribute food and sometimes financial support to their members. An unemployed refugee in Gaza reported that he receives food packages from Hamas three times a year in addition to the UNRWA support. A PNA employed man from Beit Furik had received 50 kg flour from Fatah twice last year as a member of the party. Fatah distributes to families of martyrs, prisoners or people that are active in Fatah. All beneficiaries of Fatah seemed to have received about the same amount of flour twice a year. One informant in Gaza who has received flour himself, finds this aid unfair. He said that all Palestinian factions distribute aid according to political affiliation, which in his opinion is bad because it means that some poor people do not get any support while others that are not poor get support. An UNRWA employee is of the impression that in his area, Fatah seems to give assistance to everyone while Hamas only gives assistance to members of the party. The perception of the aid given by the political fractions varies with location. In the small village of Rantis, where the situation between the Hamas and Fatah was tense, several commented on the difficulties of getting support if you do not belong to any of the factions. The father of a poor family in Rantis put it like this:

> "We have chosen not to be members or sympathize with any of the political factions in the village. We do not have the *wasta* (personal connection) that is needed to get money from these funds. We have chosen not to be members of any group since we do not believe in politics. The last thing I would want is for my boys to be involved with any of this."

The deputy head of the village council in Rantis informed that before, various aid contributions used to arrive in the village about once a month. The contributions came from different donors, and it was the responsibility of the council to distribute them. The council used to have a list of about 400 households they would divide the aid among. Usually there was not enough aid for all each time, so some would receive it one time and others the next. The council members know who are the needy in the village. As of last year, less aid is arriving and therefore only the 200 neediest ones benefit.

However, the last aid package the village received was a delivery of wheat from Fatah, which was only given to Fatah members. According to the informant in the village council, some families even got more than one package as there was no distribution list or system connected to the delivery.

We find that except for the support from UNRWA and MoSA, aid from other contributors, such as national and international NGOs, charity organizations, political factions, and foreign states, is provided merely on an ad hoc basis and often distributed randomly or by party affiliation. Thus, this type of aid is mainly an unexpected or rather seldom but welcome additional support, however not anything a household in need can rely on.

Zakat

In Islam, Muslims are obliged to pay 2.5 percent of their wealth, zakat, once a year to charitable categories in society when their annual wealth exceeds a minimum level. Zakat is one of the five pillars of Islam. The amount of wealth which makes one liable for zakat is called *nisaab* and equals approximately 85 grams of pure gold or USD 2000[6]. Zakat is calculated by adding up the cash value of valuable assets such as gold, silver, currency, livestock, bank notes, stocks, etc. and if the value is equal to or exceeds the minimum of nisaab, zakat is due at the rate of 2.5 percent of this value. Zakat is estimated excluding personal needs such as clothing, household furniture, utensils, cars, tools, machinery, and vehicles needed for running a business. The accuracy of how zakat is estimated in the West Bank and Gaza may vary with families and situations, but in essence people pay their zakat quite carefully following Islamic guidelines.

According to these guidelines, both rich and not so well-off people give zakat depending on their resources. Some households are obliged to give zakat and others are eligible to receive zakat due to their social position according to Islam. Who gives and receives may change if the socio-economic situation of a family changes. The question of eligibility may sometimes be difficult. While it is clear that recipients should be 'poor or needy', the criteria for deciding who fits into such a category are not given. Traditionally, poor and needy people are defined as those unable to fend for themselves through working, that is, widows, orphans and the disabled. These categories are still the prime recipients of zakat donations, however in 2007 as in 2002, we find cases where also households with an able-bodied man receive such assistance if the household suffers for example from long-term unemployment. One woman with a blind husband and an adult son says that some weeks they do not have money to buy vegetables and 'live on the mercy of other people'. They receive NIS 240 from the zakat committee in the village every month, but also food and oil regularly from neighbours and relatives.

[6] The value of 85 grams of gold in June 2007.

When the son who lives at home has work he provides for the family, but when he is in between paid work they are dependent on what is given to them in zakat.

Zakat may be distributed through organized and formal sources or privately from one person to another. In most parts of the West Bank and Gaza, official zakat committees organize collection and distribution of zakat. The committees are set up and controlled by the Directorate of Zakat Fund established in 1994 by the Ministry of Awqaf and Religious Affairs. For example in Beit Furik, the local zakat committee distributes money to 400 needy families every month, from NIS 120 to NIS 600 depending on household size. The families that need help apply to the imam in Beit Furik, who evaluates the situation and issues a certificate to those who it is decided are entitled to support. The zakat money that is collected in Beit Furik and the surrounding villages goes to the zakat committee located in Nablus. The imam sends his list of needy households to the committee, which is responsible for deciding how large a share is to be distributed in Beit Furik. Every three to four months, the committee sends the imam a list of families whose continued need for support they want him to reevaluate. If for instance someone in a family has got a job, they no longer qualify for zakat. The families that qualify are paid monthly. After Eid the mosque also receives meat from the committee that is distributed to poor households. Every household will get 0.5 to 2 kg of meat each. The number of needy families in Beit Furik has increased over the last few years. Before the Intifada, 50 – 60 families were considered poor and were given zakat. Today 400 families receive support, but according to the imam, 700 families should have received assistance.

In Rantis we met only one family that claimed to receive zakat regularly. The head of household is physically impaired with five adolescent children. His wife died a few years back. This family is considered a special hardship case and is eligible for support from the MoSA, but the monthly allowance of NIS 330 stopped after Hamas came to power. They did however benefit from the money channelled through TIM from July. Although the welfare support from MoSA is the main income source for this family, they are also recipients of zakat. The zakat comes normally every second month, but it is not always the case. Each time the family receives between NIS 200-300.

Other poor families in this village referred to alms in the form of money and food from good people during Ramadan as zakat, although food aid does not qualify as such according to the rules of Islam.

In Gaza and Jericho, none of the respondents reported that they received zakat on a regular basis. People from the poorer segment of society all received some sort of charity from either family or friends, but remarkably few were official recipients of zakat.

Zakat is an important part of the social security system in Islamic societies. The obligation of better-off people to give to the poor is deeply institutionalized, and contributes to evening out social differences and reducing poverty. The problem is, on the other hand, that since zakat is calculated from nisaab, the amount of zakat in the

West Bank and Gaza decreases as general poverty increases. That may be the reason why so few of our respondents actually received zakat regularly, but rather depended on alms given on an ad hoc basis.

Family and social network

Initially, it can be difficult to differentiate between zakat and other types of support and assistance between families, friends, neighbours and peers, and in daily life people may use a wide definition of the term. However, the Islamic guidelines are clear: zakat cannot be given to anyone as payment for services, then it will not be zakat but salary. Neither can you feed beneficiaries from zakat money; the recipients must themselves be made owners of the food and do with it as they like. Further, zakat cannot be given to close family. Thus, some of what respondents may refer to as zakat in our interviews is rather *sadaqa*, which is, as opposed to zakat, a voluntary charity. Sadaqa is also a religious act and can be financial assistance, favours or even smiling at someone; in essence being voluntarily good to other people and doing good deeds. Generally, sadaqa is considered voluntary charity as opposed to zakat which is mandatory, and thus differs from assistance and exchange of favours between family, friends and social network. Reciprocal assistance and favours in Palestinian social networks or communities are widespread, partly for religious reasons but also because people traditionally know such acts are likely to be returned later when the current giver may be in need of support. In close relations this support may be based on love and mutual responsibility, while in more distant relations 'exchange of goods' or 'bartering' may be more precise terms than assistance or sadaqa.

Assistance and sharing between friends and relatives

The category 'relatives' was the third most important source of humanitarian assistance to Palestinian households in 2006, just behind MoSA (PCBS 2006a). 14.2 percent in the West Bank and Gaza have reported that they receive help from relatives; however there are big differences between the two areas. Only 7.7 percent in Gaza got assistance from relatives, as opposed to 25.7 percent in the West Bank. This makes relatives by far the most important source of aid and assistance in the West Bank, compared to UNRWA (17.1 percent) and MoSA (11.1 percent). The differences between Gaza and the West Bank in terms of aid and assistance from relatives may have several explanations, but two of them are probably more significant than others. Firstly, West Bank inhabitants are more dependent on relatives for assistance as there are few other organized and reliable sources of aid. Secondly, people in Gaza have fewer possibilities

to offer each other assistance as they have fewer resources, such as land or property, than West Bank Palestinians. The Gaza refugee society tends to be more equal with fewer being better off than others.

Many of our respondents in the West Bank said that they receive help from relatives, mainly in the form of food and olive oil. One poor man with a wife and children receives olive oil from both his father and his father-in-law. This oil is used for their own consumption but also to be exchanged for other products the family needs. In addition, the family will get food from the man's father if they go and ask. Another man said that his family usually gets vegetables from his brother's land, and sometimes meat from his father who has goats. Respondents also reported that relatives in shops will give them extended credit. But some complained that they do not receive any assistance from relatives even though their families know that they are in need, and are much better off than themselves. Several are too ashamed to ask relatives for help. One man said that he could ask his brother-in-law for money if his wife or children needed life-saving surgery, but that he would never ask him for money to pay the electricity bill.

Naturally, parents support the children living in their household, and among our interviewees there are also several examples of grown-up children who give monthly allowances to their parents. But other than that, few said that they receive gifts in the form of money from relatives, they receive mostly food or oil that relatives can spare out of their own production. Some informed that they have borrowed money from better-off relatives, but that they have paid it back as soon as possible. According to a recent survey, 48 percent declared that they had borrowed money from someone during 2007 (Fafo 2007b). Respondents in this study on coping strategies emphasized that the money is a loan and not a gift. Some borrow a certain amount just to cover food expenses, but it is more common to borrow money for special expenses like hospital bills, dental repair, university fees and business establishments for those wishing to start something new. A man in Beit Furik borrowed NIS 3,000 from his sister to pay for his son's tuition fee at the university and to cover travel expenses for himself and his family of seven to go to Israel to work for the summer. After three months' work in Israel, he was able to repay her. Another man borrowed NIS 4,200 from a relative to buy sheep so that they could breed lambs and make cheese. A third borrowed NIS 3,000 from a close friend to start up a new business that required going to Israel. A man in Jericho who lost his job in a settlement in 2000 got a loan from his brother to open up a shop in his house after he had been unemployed for three years. The motive for lending money to close friends or relatives is both to perform good deeds and make an investment for the future, where the giver can expect help in return when the time comes that he needs it.

Some expressed difficulties with having to borrow money from relatives. A couple of respondents even said that they do not believe that their relatives would lend them any money even if they were able to. In some families, there seemed to be a great

difference between receiving food or oil from relatives and receiving money. The importance of, for example, treating all sons equally is emphasized by poor interviewees who complain that they do not receive any help from their parents because it would be unfair to the other siblings.

A poor woman with a disabled husband said that they actually get more help from people outside her family. Several respondents emphasized that they are also more comfortable with getting help from friends and neighbours instead of relatives. An imam confirmed that a lot of people do not want to ask their families for help because they are embarrassed. Friends are sometimes easier to ask for help than close relatives, they may know your situation better and do not 'judge' you as one may feel that family does. The imam himself felt the same way and although his own brother is rich, he would rather ask a friend if he needed to borrow money.

Bartering and sharing

"There is 'an incredible amount of sharing going on", one respondent stated, referring to food, work opportunities, electricity, etc. When reciprocal sharing takes place outside the inner circle of close family and friends, it may be considered bartering. Our data material supports that there is bartering: food, services, resources and favours are often exchanged without there being money involved. When people talk about getting food or assistance from friends, they do not necessarily portray themselves as beneficiaries or receivers; relationships often sound equal, where everybody will get something from time to time. There seems to be a growing barter economy, especially in the West Bank, which is increasingly revitalized as lack of cash is more and more pronounced. People describe getting paid in olive oil when working on the neighbour's land, and several mention the importance of knowing a farmer who can provide you with vegetables in hard times. A man in Jericho put it like this: "Everyone knows a farmer so you can always get vegetables free of charge". This is obviously not always true, as interviewees express difficulties in getting food on the table. Not surprisingly, many complained about not being able to afford to buy food, yet nobody we met actually starved. They talked about sustaining access to food by picking herbs and vegetables in the field or cultivating their own land and, after closer probing, many often mentioned exchanging food and favours with neighbours and friends.

A social network was also emphasized as an important factor when it comes to finding employment or creating income-generating work. Workers in Israel often said that they got their jobs through friends and their network, which is alpha and omega as many jobs are based on illegal contracts. Two friends from Rantis told how both wanted to work in Israel, but only one of them had managed to get a job so far. They said that the one without a job has problems because he does not know the right people. His friend has tried to help him, but since he is not that well connected himself, there is

not much he can do. Connections and friends are not only important when it comes to getting the job, but also keeping it. The routines and routes for transport and crossing checkpoints to and from work are mainly based on tips from contacts and colleagues. People use mobile phones to inform each other about the conditions on the border. A salesman explained that as some of the checkpoints are not manned all the time, he will talk to friends to find out whether soldiers are present or not. If they are, he will avoid the checkpoint and take alternative routes through the mountains.

In times of hardship and little cash flow, access to free labour can be vital to small enterprises or businesses. Entrepreneurs and shop-owners often mention family, but also friends, who help them out without getting paid in cash. One respondent who travels around a larger area to supply shops, said that he has to rent a truck and a driver, but that luckily he has friends and relatives who help him unload the truck so that he does not have to pay for that. His brother works for him a couple of days a week, sometimes he gets paid a little, other times not. Shop-owners told similar stories; relatives and friends that help out do not necessarily receive cash, but maybe food or products from the shop instead.

Network and friends may also be useful for raising larger amounts of money. Saving groups, *jamiyya*, formed through friends and contacts, are common in some areas and help families handle bigger investments. In society at large, 10 percent of all households had a family member saving in a jamiyya in July 2007 (Fafo 2007b). A female respondent in Beit Furik is a member of a saving group of 25 people where all participants save NIS 200 each a month. Every month one member of the group will receive NIS 5,000 and this will continue until everyone has received the sum once. This woman's group started saving in July 2005, and in April 2007, she will receive the money. The saving group was started by her cousin who needed money to pay for her son's wedding, and she received the first NIS 5,000. When a lot of cash is needed in a short period of time, saving groups are described as practical solutions. The idea is to join a saving group with others with a similar income level; people that you know will be able to pay the same amount as yourself. In this woman's saving group, there are some members who have had problems with paying lately due to lack of salaries from the PNA. The other members understand the situation and are patiently waiting; those who have not paid are not considered poor and are certain to pay later.

In a society with low cash flow, the exchange of products and services represents a value. Getting and maintaining access to such exchange may be regarded as an 'income generating activity' in itself. Sadaqa, assistance from peers, sharing and bartering within personal networks and local community are essential coping tools in the West Bank and Gaza. The way in which people assist each other or rely on each other alters with the type of relation. Close family may help each other out without expecting anything in return, and it will not be considered zakat or charity. While unconditional assistance seems to belong to the nearest circle, a habit of sharing is also confirmed among

friends and peers. In the intersection between friends, peers and associates, we find that sharing often takes the form of bartering. However, the lines between assistance, sharing and bartering are often blurred; sharing with other people is deeply grounded in the culture and daily life, but so is also the expectation of at some point getting favours in return. Sometimes family members expect the return of favours or they deny assistance, sometimes friends and peers seem to assist generously without demanding anything in return. Generally and unsurprisingly, however, our findings indicate that the extent of unconditional support and assistance between people decreases with distance. The more distance there is between giver and receiver, the more rules and expectations are implied.

All these various ways of support and exchange have different mechanisms and rules implied but eventually serve the same purpose – to keep a society going which has scarce and unstable access to cash..

Remittances from abroad

About four million Palestinians or 39.2 percent of the entire Palestinian population live in the West Bank and Gaza including Jerusalem. More than six million Palestinians live in other countries. The largest group of migrants, 27.7 percent, lives in Jordan. Further, 11.2 percent live in Israel, 16.2 percent in other Arab countries and 5.7 percent in countries outside the Middle East (PCBS 2006b). This means that many Palestinians in the West Bank and Gaza have close relatives living abroad. Data from 1995 indicated that as much as 66 percent of heads of refugee households in the West Bank and 59 percent of non-refugee households had close relatives in other countries (Pedersen et al. 2001). In the Gaza Strip, the numbers were 56 percent for refugee household heads and 47 percent for non-refugees.

Money transfers from migrant relatives abroad are common and of significant importance in many developing countries. In 2004, registered remittances to developing countries were close to 100 billion USD, roughly one and a half times official development assistance (Carling 2005). Additionally, unknown amounts are transferred through informal channels or to countries that do not report statistics on remittances. According to data from the International Monetary Fund, IMF, remittances to the West Bank and Gaza constituted 9.7 percent of the territory's gross domestic product, GDP, in 2001 (Carling 2005). In the Fafo report from 2003 however, we conclude that although remittances from abroad were assumed to have been important during the first Intifada, there was little indication that they played a large role in 2002.

Current findings support the conclusion from 2002, as we found few households that received significant remittances from abroad, suggesting this is not a very important income source. One man reported that he has a brother living in the Emirates who has worked there for twenty years as a civil engineer and now manager. Every month

the brother sends his family in the West Bank NIS 1,700, from which the whole family makes a living. This is the only example we came across where a family depended on remittances from abroad, and also the only regular transmission of remittances. Respondents who have relatives living abroad very often said that their relatives struggle themselves and are not in position to send money home. Others claim that their relatives have simply forgotten all about their families in the West Bank and Gaza Strip. In Rantis, more than one person stated that people who move from the village to richer countries completely forget where they come from, they stop caring about their families back home and some have not even taken care of the children they left behind.

Even though very few reported receiving remittances on a regular basis, some described incidents where money had been transferred for special occasions. One man received money from his father in Jordan to open a shop, money he is paying the father back in instalments of NIS 300-600 a month. Others had experienced problems with transferring money. A family living in Jordan that wanted to transfer NIS 150 every month to a poor family in Beit Furik, were reportedly not allowed to because it was considered to be supporting terrorism. This family did not have the right Palestinian ID cards and depended on remittances from Jordan as they were not eligible for any governmental support. When the transfers stopped they became even more vulnerable. To cope, one of the male family members had just recently opened a mini market.

Another respondent in Beit Furik informed us that when his family tried to send him money from Jordan, the transmission was checked by the Jordanian government, the Israeli government and the American government. It was just too difficult and took too much time. This story is supported by other respondents who stated that their money transmissions from Jordan took from two weeks up to four or five months. However, everyone got their money in the end.

Compared to other migrants from poor countries, Palestinian migrants seem to support relatives in the home country to a surprisingly small extent. The high percentage of GDP represented by remittances found by the IMF might to some extent be explained by few families receiving the majority of the remittances. Still, this does not explain why the average Palestinian migrant does not seem to send remittances to his or her family, as many migrants from poor countries do. In an analysis of migrants' remittances, Carling (2005) identifies different variables that might influence a migrant's propensity to remit. He finds that, for example, intention to return, years since migration, marital status, educational and occupational level and financial status play a role. A migrant who intends to return to his home country will more likely send money home as an investment than those who never plan to go back. Usually, the longer a migrant lives abroad, the smaller the possibility of returning. Further, migrants who have brought their close families with them, often educated migrants, are less likely to send remittances. The propensity to send money is also higher if the wage difference

between country of origin and country of residence is large, and if there are good opportunities to remit money in cheap, convenient and reliable ways.

Before 1991, many Palestinian migrants worked temporarily in the Gulf States where wages were much higher than in the West Bank and Gaza. Migrant workers in the Gulf were often able to support several family members on their wages. However when the Gulf war erupted in 1991, Palestinian migrants in Kuwait were forced to leave and mainly moved to Jordan and some back to the West Bank and Gaza. The wages in Jordan and in the other Arab states outside the Gulf are no higher than in the West Bank and Gaza, which caused a decrease in remittances. The propensity for migrants living in the US or Europe to send money to relatives in the West Bank and Gaza Strip might also be low due to personal economic difficulties in the new country or to weakened bonds to the home country after many years abroad.

These different factors mentioned may contribute to explaining why so few of our informants report remittances as an important source of income. Importantly, we have to consider the risk of under-reporting, possibly connected to keeping up appearances. The importance of pride and honour also influences the willingness to ask relatives abroad for help. Some migrants have left Palestine when times were better, and occasionally families at home have also supported the migrant abroad. There might be a difference between migrants who initially migrate to partly support the family at home, and migrants who are supported by their family at home in the migration process. Several of our respondents said that they are too ashamed to ask their relatives abroad for help; they do not want relatives abroad to know how the conditions have become at home.

Reducing expenses

A study conducted in March 2007 concluded that 87 percent of the households in Gaza and 81 percent of the households in the West Bank had experienced household income reduction since the election in January 2006 (Oxfam Briefing Note April 2007:4). With less money to spend, families have had to reduce their costs and expenditures accordingly. We find that this is done mainly in three ways; 1) by reducing household consumption, 2) increasing debt and credit, and 3) not paying bills. The two last strategies are interconnected as not paying bills obviously also leads to increased debt.

Cut in household expenditure

Reducing expenses was the first coping mechanism people turned to when the Intifada started in 2000 (Fafo 2001). Not buying commodities, postponing refurbishment of

the house and reducing purchase of clothes are constraints everyone who faces economic difficulty places on him or herself. Palestinian households (average 6.3 people) consumed an average of NIS 3,802 per month in the first half of 2006 (PCBS 2006 in FAO and WFP 2007: 22). In 1998, the total average monthly consumption was 3,225 per month. Taking account of price increases, household consumption has decreased by 20 percent from 1998 to 2006. The importance of food aid, however, is not factored in.

Comparison of the numbers from 1998 and the first half of 2006, indicates that despite a tighter household budget families prioritize fairly equally then and now when it comes to daily household consumption such as food, clothes and transportation. Of these three expenditures, buying clothing and footwear has been reduced the most, but not more than 3 percent as the consumption of clothing was already quite low. Had the Palestinian people been wealthier before the Intifada, one could have expected a steeper fall in money spent on clothing after 2000. Worth noting is that people currently spend a significantly larger portion of their money on education compared to 1998, with a rise from 3 percent in 1998 to 11 percent in 2006. Housing expenditure has also increased relatively, with a rise from 7 to 11 percent, and money spent on health has risen from 4 to 6 percent (FAO and WFP 2007).

Compared to before the Intifada, the percentage of money spent on food is constant, at 38 percent. The percentage of household consumption spent on food normally indicates the level of wealth in a society; when poverty increases, the share of total household budget spent on food increases accordingly. In the case of the West Bank and Gaza Strip, the large contributions of food aid probably explain why we do not see any increase in the proportion spent on food compared to other expenditure, even though household budgets have decreased during the Intifada.

Another explanation up until 2005 is that while inflation has risen steadily since the pre-Intifada years, the price of food increased more slowly than other commodities until 2005. Thus, food became somewhat relatively 'cheaper' compared to other products and services during the first five years of the Intifada.

Although people started reducing expenses a long time ago, and thus had already cut down significantly on consumption before last year, the drastic deterioration in household conditions in the second quarter of 2006 forced households to cut down even further. Looking at the steep decline over just a couple of months in a society which is already in a difficult economic situation, the individual coping mechanisms and strategies become more evident. The average monthly household consumption declined by 23 percent in the second quarter of 2006 compared to the first quarter, with food consumption declining by 8 percent and non-food consumption declining by 28 percent (FAO and WFP 2007:21). This shows that in times of acute crisis or emergency, households firstly cut down on non-food cash expenditure. Spending on medical care was cut drastically by 67 percent, and also the share spent on housing and

education, which had risen since the beginning of the Intifada, was cut by 24 and 27 percent respectively. Some of these major reductions might be due to people not paying their bills, as discussed later in this chapter. The cut in health spending is probably related to cancelling or postponing of larger medical treatments, such as surgery. The system of credit is not applied in the health sector, and therefore medical treatment is one cost that has to be suspended if one lacks resources.

In addition to the larger cuts, households reduce overall consumption of non-food products. Owners of shops selling clothes and household commodities reported a marked decline in turnover after the election. A shop-owner in Beit Furik selling shampoos, soaps, make-up and the like, said people buy less of these items after the election. However, the income of the shop varied significantly with the seasons; in the wedding season from May to September, he still sold quite a lot of these products even though there seemed to be fewer weddings in 2006 than in the two previous years. One shop-owner stated that people are cutting down on consumption but try to keep up appearances in given situations. He gave an example of a man who always used to buy a certain type of luxury soap imported from Israel. During the past year he started to buy cheaper, local soap instead. But one day the man came and asked for this soap again. It turned out that he was expecting visitors and wanted the luxury soap to put it on the basin for this occasion.

Similarly to the man with the soap, many people said they are buying cheaper brands as part of a strategy for reducing expenses. This applies especially to household products and luxury items, the latter things they are not dependent on, but not willing to cut just yet. Cigarettes, soap, washing powder, disposable diapers, milk powder, chocolate, snacks, and coffee are products that increasingly are exchanged for cheaper brands. People generally look for more affordable solutions, which means that brands and used items, like furniture and kitchen appliances that previously were not commonly accepted or preferred by some parts of the population are now marketable and thus purchased to a much larger degree. When it comes to cigarettes, for example, the population in general, both rich and poor, still spends a lot of money on tobacco. Even during times of crisis, many are not able to cut tobacco consumption, and on average they spent more money on cigarettes than they did on clothing, furniture or education in the first half of 2006 (FAO and WFP 2007: 22). Comparing tobacco and food expenditure, larger sums were also spent on tobacco than on most food products (fish, dairy products and eggs, vegetables, fruits) except for bread and meat (FAO and WFP 2007:22). To reduce costs, many of our respondents reported having switched from expensive brands like Marlboro and Kent to the local Jamal. Utensils to roll your own cigarettes have also become popular. One shop-owner reported that some customers previously were known to put Jamal and homemade cigarettes into Marlboro packets because they were ashamed to smoke cheap brands. Now, he said, people do not care about that anymore as very few can afford expensive cigarettes. This huge consumption

of tobacco even makes cigarettes a profitable and stable income source for shop-owners. One salesman in Jericho explained that "cigarettes are like gold these days". He claimed that 80 percent of his sales are cigarettes, and takes the tobacco stock home with him every night to avoid theft.

As the market for cheaper brands has increased, so has the market for used items. In 2002 there was little evidence of secondhand sales. A secondhand salesman in Beit Furik claimed that no one in his town was in this business before the Intifada; in 2007 there are about 30 people involved in selling and trading used products in Beit Furik. Secondhand furniture, household commodities and clothing have become increasingly popular.

It is important to note that for a significant part of the Palestinian population the above mentioned cost reductions were made before January 2006. For people who have been without steady employment for years, there may not be many expenses to cut. Thus, reducing expenditure on commodities as a coping strategy is no longer possible for a lot of people, who already stopped buying things and clothes a long time ago. It is mainly the PNA staff who have turned to this coping strategy lately.

Reducing food intake/changing diet habits

When it comes to reducing food expenditure, people apply the same strategies as those mentioned above: they cut amounts where possible and change to cheaper brands or lower quality. 'Luxury goods' are cut first; shop-owners report less demand for example for mayonnaise, foreign chocolate, soft drinks and ice cream. A coffee shop-owner in Beit Furik said that 2005 was a much better year than 2006. According to her: 'When times are difficult, people buy food and not coffee', and she added: 'They also prioritize tea over coffee'. In 2005 she sold around 10 kg of coffee every month, but in 2006 it decreased to 5-6 kg a month. This drop in coffee sales shows how people reduce consumption, but also that some still afford fresh quality coffee. Another shop-owner reported that he started selling Pampers and Pringles again on request from customers at the end of 2006. The demand for these, and other foreign brands, dropped significantly during the first years of the Intifada and they were therefore taken out of the local market in some places. The fact that the demand is back for such products is a sign of improved purchasing power among some of the town residents.

Obviously some people do have money and can still afford chocolate and foreign snacks, but most families have experienced a reduction in food consumption in the last year. For those who had already reduced consumption severely before 2006, the struggle to get by on even less after January 2006 was critical. Numbers from PCBS show an 8 percent decline in food consumption from the first to the second quarter of 2006. Statistics from this period show that in general, families cut down between 6 and 33 percent on almost all food products (FAO and WFP 2007). A salesman in a fruit

and vegetable market in Gaza is one who suffers from this development. He claimed that there are not as many customers as before and that people buy less. According to him, the turnover already decreased at the beginning of the Intifada, but the current situation is worse than ever. Before January 2005 he sold for example 300 kg of apples a day, now he sells a maximum 120 kg.

Exceptions to this pattern of general reduction in domestic consumption in 2006 are consumption of meat and poultry which has remained stable, and sugar and confectionary and non-alcoholic beverages which actually have increased, according to PCBS figures (FAO and WFP 2007:22). Meat and poultry are expensive and constitute 22 percent of total food cash expenditure (FAO and WFP 2007:22). Still, most families emphasize that they very rarely eat meat and poultry now compared to pre-Intifada times. That the percentage of meat and poultry consumption in the household budget is unchanged, and also that consumption of sweets and soft drinks has actually risen through the months of fiscal crises in 2006, may suggest that marginal and poor people had already cut down heavily on these products, and that better-off families account for the majority of the consumption.

The access to meat and chicken varies for the different families, but some patterns emerged through the interviews. The majority seem to have either cut down on red meat entirely or eat it seldom. Several reported that they had not eaten it for months, while others said that they eat meat once a month. Some buy frozen meat which is significantly cheaper than fresh meat, but frozen meat is not highly regarded and many prefer to eat fresh meat more rarely. Still, as with the cigarette brands, more people eat frozen meat today than at the beginning of the Intifada.

Although some of our interviewees reported that they had not had meat or chicken in the past month, the majority claimed that they usually have chicken once a week. This is a reduction from pre-Intifada times when many ate meat or chicken two or three times a week, according to our respondents. Compared to our findings from 2002, today's consumption of meat has increased. At that time people reported a very low level of chicken and meat consumption. A mother in quite a poor household in Beit Furik said that her children never go to bed hungry, and that she usually manages to buy them half a kilo of fresh meat or chicken once a week. Her children refuse to eat frozen meat. One man who works in Israel said that his family has always had chicken once a week, also before the outbreak of the Intifada, thus food consumption and expenditure has not changed significantly in his household. Most families seem to strive to have chicken every weekend and do commonly succeed. Still, others say that they can only afford to buy chicken at times when the price is low and that they eat it quite infrequently.

Daily meals consist mainly of vegetables, bread, cereals, eggs and dairy products. Even though most people report that they never starve, the variety of the daily diet apparently decreases in difficult times. Tomatoes, potatoes, lentils, bread, oil and rice

form the core diet for many people; other products are added when affordable. For the very poor, 'affordable' might mean very seldom or hardly ever. Fish and seafood products, for instance, make up a very small part of the Palestinian diet, and this food group was reduced the most during the first half of 2006. Only just about 2 percent of the food budget was spent on fish and seafood products in this period. One fifth is spent on vegetables, fruit and nuts all together, and almost 25 percent is spent on bread and dairy products (FAO and WFP 2007:22).

Very poor families reported that they sometimes depend on a diet of only bread and oil in addition to some vegetables such as tomatoes and onions when they can afford them. Some of these families expressed serious concerns about their ability to put food on the table every day. Many described how being poor led to even greater poverty since it is difficult to effectively plan efficient domestic economy when living in a hand-to-mouth situation. Both shop-owners and customers said that people used to buy food in rather large quantities before, now most only buy for some days at a time.

Animal husbandry and agriculture for own consumption

One strategy for reducing direct food expenditure is to increase own production. In 2002, own produced food in kind only constituted 1 percent of monthly household consumption. In the first quarter of 2006 we find that own produced food has increased to 3 percent of monthly household consumption (FAO and WFP 2007:22). As growing vegetables or breeding animals is time-consuming and requires investment, it may be a strategy you do not choose unless you are quite sure economic hardship is a stable pattern, or a sudden deterioration in living conditions gives you no other choice. Numbers from the second quarter of 2006 show that domestic food production doubled in the first months after the election; in June 2006, 6 percent of the food consumed in Palestinian households was produced in-house (FAO and WFP 2007:22).

In addition to generating income from sales of animals or agricultural products, people also reduce expenditure by consuming home-produced food. Starting up larger production for business purposes is risky, costly and demands a certain amount of space; hence it is an option for a more limited group of people. Cultivating vegetables in the garden or breeding a few chickens or sheep for own consumption on the other hand, seems possible for a substantially larger group. A family in Beit Furik had only NIS 7,000 in income in 2006, but managed due to effective cultivation of their own plot of land. They grew enough onions, garlic, lentils and wheat for their own consumption. Several respondents reported that they reduce food expenditure by growing vegetables and keeping chicken or goats in the garden. In the West Bank, many families own a small plot of land which makes this possible. In Gaza city life is crowded, making home gardening more difficult, but we did come across some families which manage to engage in home production of food there as well. One respondent in

Gaza reported that his mother raises chicken on the roof of their house. The breeding does not make them rich, but they never have to buy eggs. Occasionally, they eat some of the chickens too.

In addition to reducing own food expenses, products from home gardening are also resources used in the sharing and bartering processes; families offer neighbours and friends some eggs or a chicken in return for favours and services, and oil from own olive trees can be used to obtain vegetables they do not grow themselves.

Buying on credit

A common way to deal with cash shortage and reduce expenses in the West Bank and Gaza Strip is to buy on credit. This is not only an immediate relief when people are short of cash; it is also a way to save money. We find that people usually do not pay interest, and debtors are also frequently offered debt reduction as an incentive to pay. One shop-owner in Rantis claimed that people in his district have not cut down so much on consumption but rather increased credit. This shop-owner sells mostly basic products that people need, and according to him, many of his customers buy the same amount after the election as they did before, only they cannot pay. This statement is supported by the results of a survey of traders conducted after the first half of 2006, which shows that both credit periods and amounts of credit extended to customers increased sharply after the election, by 77 percent in West Bank and 89 percent in Gaza compared to the end of 2005 (FAO and WFP 2007: 34).

Importantly, the system of credit has been in use since long before the Intifada erupted. Paying the shopping bill at the end of the month, or after receiving the paycheck, has long been the normal way of dealing with the shopkeeper. In times of economic hardship during the Intifada, the use of credit has not only been a practical and common way of shopping, but has also become a sheer necessity for many people. Nearly everyone interviewed had credit, often in several different shops, and many admitted that they rely on credit in everyday life. A chicken farmer in Beit Furik said that the main reason why his household copes is that they get credit in shops: "We survive on credit". He said that no shop-owner refuses him credit because he is a man of honour and will repay when he can. He knows that under the current circumstances he will not be able to repay all his credit in the near future; however, he pays some part of his debts every time he manages to sell chickens at profit. This shows willingness to pay and it maintains the relationship of trust between the customer and the shop-owner, hence the customer continues to receive credit. A family man in Beit Furik confirmed the importance of paying some of his debts if not all; he does not think there is a limit to the credit he can get as long as he keeps on down-paying small amounts regularly. A man in Jericho who owes NIS 3,000-4,000 to the local supermarket, said that he

keeps the shop-owner satisfied by paying off a little bit at a time. "But, we always take more than we are giving back!" he said with a laugh.

The poorest families seem to have less debt than people who have income occasionally or regularly. This might be because they are used to spending less than others and know they will have problems in repaying. Some of the chronically poor households we interviewed said that they never bought on credit before the Intifada, unlike many of the households with a steady income. Poor families reported that they started to ask for credit after the outbreak of the Intifada, but that they borrow as little as possible and try to keep the debt down. Many of them also said that they try to limit credit to only one shop, and that it is easier to get credit through relatives and friends. Obviously, people without any income source or without a feasible possibility of gaining work have less chance of obtaining credit in shops. Several poor families stated that it is hard to obtain credit. A household with a blind head lived without cooking gas for two weeks because they had no money and were not allowed credit. Finally a neighbour gave them NIS 40 to buy gas. This family did not obtain credit in grocery shops either and illustrated this by showing an empty freezer and fridge.

A shop-owner in Gaza explained that the credit system faced difficulties in 2006. He has already stopped giving credit to those who no longer have a regular job, such as Israeli workers, because he cannot afford the risk of not knowing when he will get paid. Now he has to reconsider the credit to PNA employees as well:

> "I have many customers that are employees in the public sector and many of them buy on credit. It was no problem for them to pay me at the beginning of every month when they got their salaries, but now I face problems because I don't have a monthly payment, only when the customers get salaries. If I don't sell them my goods on credit they will shift to another supermarket, and I will lose most of my clients."

Shop-owners fear that they may lose customers if they refuse credit. It also happens that people with credit but no ability or willingness to pay start to go to other shops instead. In that way shops may lose customers and money whether or not they give credit. Most shops we met with still allow sales on credit, although many customers cannot pay back. A shop-owner from Rantis stated that he cannot tell people that they will not get any more credit from him, it is a small village and he knows everybody well. It is especially middle class PNA employees who have become the largest debt holders in his shop. He explained that it is especially hard for him to deny people credit since he is selling really basic things that people need. His problem and understanding for his clients' situation was expressed like this:

> "One year people owed me NIS 6,000, now they owe me NIS 16,000. These credits mostly belong to the PNA employees. Since many of them have loans in the bank,

they have to use the little money they get to pay the bank on time. Me… I have to wait."

There are, however, shop-owners who cannot take the continued loss anymore. One of them, who sold 80 percent on credit before the Intifada, has stopped giving credit to PNA employees entirely since after the election he has received less than 50 percent of the debt every month. Before, his customers always paid back at the end of each month. A woman who sells shampoo, make-up and the like declared that no one actually repaid her any debt in 2006. People primarily have to spend their money to repay credit in the grocery shops to maintain their ability to buy food on credit. Thus, she felt obliged to stop giving anybody credit.

PNA employees have become new long-term debt holders. They still generally get credit more easily than others, but if their credit continues to grow while their ability to pay decreases, the whole system based on credit and trust will break down. Already now PNA employees are increasingly also denied credit, especially on luxury goods like chocolate, cigarettes and mobile phone cards. Since there is competition to keep customers, and the PNA employed are among those with the best prospects of regaining their income, shop-owners will often wait as long as possible to refuse this group credit. Some PNA employees who do not have savings, support from a network, or other resources to fall back on, have become among the new-poor during the fiscal crises in 2006. They have adapted to similar coping mechanisms as the chronically poor and have changed their credit habits accordingly. One example of how consumption has changed for this group is a PNA employee from Jericho who used to buy groceries on credit for about NIS 800-1000 monthly before the election, but now only spends on urgent needs and never exceeds credit beyond NIS 200-300.

The amount of credit that has accumulated in the West Bank and Gaza especially during 2006 is clearly not viable in the long run. What makes this all still function is that credit is accumulated to the last link in the chain. A customer owes the shop, which owes the trader, which owes the supplier or wholesaler. The producer, wholesaler or supplier ends up with the bill – a consequence which inevitably will affect the entire economy and backfire on the consumers. So far it seems that the bigger traders, who can afford increased debt, have taken the largest part of the impact. However, we have also seen shop-owners suffering directly from the customers' unpaid bills. The credit system in combination with sharing and bartering and the traditional and religious incentive to help others probably contribute significantly to the upholding of Palestinian society at a lower level. The importance of assistance by and dependency on better-off and more resourceful citizens is illustrated by the story of the shopkeeper in Rantis who borrows money to help others. In addition to allowing his customers credit, he also lends them money for transportation and university fees. He explained his deeds like this:

"I try to help the best I can, and by being a good man, God will help me."

Ceasing to pay bills

During the years of the Intifada, it has become increasingly common not to pay bills for public utilities, such as the telephone, water and electricity. Some strive to pay them but cannot find the money to pay; others choose to ignore the bills in times of economic hardship. The problem increased in importance during 2006 when public employees also stopped paying. Because it has become progressively more normal not to pay, even people who can afford it prioritize payment of other expenses instead. A woman in Jericho stopped paying her water bills at the same time the government stopped paying her wages. She reacted negatively to a letter from the Municipality calling for negotiation of a payment scheme, and said: "I put the paper away, and will not look at it again until I have money to pay the water". She owes NIS 1,800 for water and NIS 2,500 for electricity and had only paid NIS 700 of the electricity bills in the past 14 months. This woman and her husband are both PNA employees and their total salary amounts to NIS 7,000 per month under normal circumstances. During the past 14 months they have received about NIS 30,000 instead of NIS 98,000, and they refused to pay the bills for public utilities as long as they worked without full payment. This couple rents a house from close relatives and gives priority to paying the rent over paying for public services, and the woman explained this choice by saying:

> "The owners are poor. They need the money. So, I rather pay them and not the Municipality and electricity company. We Palestinians care about each other."

Electricity is a regular expense that nearly all interviewees related to or commented on, whether they pay their bills, postpone them or ignore them. The way the electricity supply is organized and thus the consequences of and attitudes towards not paying, varies in the different regions. In Gaza, families reported that they have not paid their electricity bills for two to four years. As one man said; "I am like the others, most people do not pay". None of the families in Gaza that have not paid their electricity bills in years reported any cut-off in supply due to unpaid bills. In the West Bank, the risk of losing power if you don't pay is more impending. In Beit Furik, some families have experienced cuts in electricity, others fear being cut off. A poor family which had not paid their electricity bill for 22 months had been without electricity for one month at the time of the interview. They used a kerosene lamp instead of electric lighting, but had no alternative to the refrigerator. So far they managed without the refrigerator as the weather was still quite cold and they did not have much food to store. A former worker in Israel said that if he were suddenly given NIS 500 he would spend it on his electricity bills as he thinks the municipality is the most dangerous creditor. One woman said that she had been lucky and received economic support from better-off people in her *hamula* when the municipality threatened to cut her power.

The electricity in Beit Furik is bought from Israel by the municipality, and the consumers pay the municipality for the electricity. The mayor of Beit Furik informed

us that the municipality has covered much of the shortfall in payments until recently, but now it had to cut the electricity to force people to pay their bills. Some citizens had actually been asking for this, as there is no money in the municipality to initiate projects needed like building roads. People will not be asked to pay their total debt at once, but will be offered payment plans including a 20 percent discount. Some of those who had actually paid their bills found this unfair, as it is not necessarily the poorest households that have stalled the payments. Most families in Beit Furik have not paid their electricity bills for many months, but despite those mentioned above, many of the debtors do not seem to worry too much about being cut off. Some said they have ways to raise money if the electricity is cut, others think the municipality will not actually do it. However, several also emphasized that the current discount system is a good incentive to pay the bills. One man reported that he had now carefully started to pay in cash every month to get his 25 percent discount.

In Jericho, a private company provides the citizens with electricity from Israel. The head of the electricity company said that the company owes the bank money due to lack of payments, and that they are not able to develop and maintain the machines and network because of this deficit. They need to find ways to make people pay and plan to start cutting electricity in different areas one day a week, regardless if this also affects people who have already paid. A female respondent stated that many in Jericho have not paid electricity for two years. She said that her household pays maybe every third bill, normally the cheapest of them. A widow in Jericho reported that she owes the electricity company more than NIS 2,000, and that she occasionally pays parts of it to "keep the electricity company happy". Some households in the area have already experienced power cuts due to unpaid bills. A contractor who had been cut off in October 2006 because he owed NIS 2,000, said that the electricity company had now agreed to re-connect his house after he committed to pay NIS 500 in cash instantly and the rest of the sum during the next seven months. An unemployed man in Jericho chose for his household not to be connected to the electricity company. Instead he gets electricity through a cable from his brother's house, which for him is a cheaper arrangement.

In Rantis, people are more concerned about paying their electricity bills on time. This is because the Jerusalem based electricity company that serves Rantis actually cuts the electricity to households that do not pay their bills and charges more if the payment is overdue. According to a member of the village council in Rantis, the number of people unable to pay their bills has increased during the past two years, because of the worsened conditions of work in Israel and the lack of PNA salaries following the election. About 30 percent of the households in the village have now had their electricity cut officially. But that is only officially, our key informant from the village council claimed:

"When the company cuts the electricity, households commonly take it back by illegally connecting to the fuse boxes or to their neighbours' electricity."

The village council representative said that no households in the village are without any access to electricity, even if the electricity company has cut their supply. This seems to be correct as very poor households reported that although their electricity was cut, there was always a way to be reconnected again, either by paying a part of the bill or by connecting through others. Sometimes the households which others have connected their electrical cables to have payment problems as well. A typical story is this one, about a very poor family who have not paid their electricity bill for years and are instead illegally connected to a relative's house across the road. The relative himself owes a huge debt to the electricity company and has already been disconnected from the net several times but has always been able to pay a little so that the company reconnects him. At the time of the interview with the family that is connected to his electricity network, the electricity company had threatened to cut him off again, so he was planning to pay 10 percent of the bill next time a representative from the company came around and hoped that would prevent a new power cut.

People in all four locations told similar stories about how they deal with other bills, such as water, telephone bills, or insurance. One woman in Jericho who has not paid her car insurance for the past two years said she had been stopped by the police twice, but only ended up with a warning as she knows the right people. Although this woman is especially lucky since she is well connected, postponing payment of bills is clearly a very common strategy to reduce expenses. When people's supply or access to products is cut, they try to find money or ways to get reconnected. Some connect or gain access illegally, others get assistance from family and friends, and some actually have enough money to pay the bills but have just not given it priority. The credit and discount from suppliers explain why more households have not yet lost electricity and water. Like the shop-owners, electricity and water suppliers extend their credit and often allow people to stay connected if they only pay parts of their bills – even if their debt is actually increasing. In the end, however, there is a limit to the sustainability of the non-payment of bills.

The village council in Rantis informed us that 40 percent of the households in the village do not pay for the water piped into their houses. These citizens owe NIS 120,000 and the water company has threatened to cut the water supply from all houses that do not pay.

Some families are already occasionally without electricity and water supply, a condition which, especially if it increases, will lead not only to an even greater degradation of living conditions in general but also to increased health problems in the West Bank and Gaza Strip.

Selling off assets and gold

In 2002, many respondents reported that they had used savings and sold off assets and gold to endure difficult times and invest for a better future. With the exception of the very rich, the households interviewed in 2002 denied they had any bank savings left, if they ever had to begin with, and gave the impression that economic buffers, savings and valuables were already spent to get through the first years of the Intifada. People reported having invested in houses, education and businesses, investments that would provide for a better future. Since the economic hardship has been prolonged, and especially in light of the fiscal crises in 2006, it would be reasonable to assume that most people had no or little savings left and thus no buffer in case of emergency.

Gold represents a Palestinian married woman's insurance and life savings. The gold is given as a dowry, and is meant to be her insurance during the marriage in case of divorce or death of her husband. Gold is one of the few durables women own that has any real value and is easily saleable. It is the woman's property, and the husband cannot claim it. In our last survey, we found that most Palestinian women who faced economic hardship during the first years of the Intifada apparently had sold their gold. After many years of struggle, one would expect that there would be little gold left to sell at the current time. However, respondents in this survey also report having sold their gold recently, in 2006 and 2007. According to Fafo's survey in December 2006, 22 percent claimed to have sold gold before the Ramadan and Eid al Fitr celebration that year (Fafo 2007a). In July 2007, 27 percent claimed to have sold gold during the first six months of 2007 (Fafo 2007b).

Two, apparently quite well off, women we met with in the West Bank said they sold their gold during the last year. Until then they had managed on savings but sold the gold recently to keep up their standard of living. Both women placed the money into the family business; one invested to expand the business, the other one to save it. These women have been relatively well-off, and have now done the same as the poorer women did years ago; sold gold to invest in the future.

One former worker in Israel sold his wife's gold in the middle of 2006 and invested in a car for his oldest son, who now will provide for the family as a taxi driver. Some poorer families that have managed to keep their gold until now despite severe hardship, said they are selling it to cover ordinary consumption, to buy food and clothes. Poor families cannot afford to invest, and thus their savings will be spent and not generate further income. An exception is an old refugee woman in Rantis. She worried about the future of her grandchildren; "They are orphans with nothing", she said referring to the land her family left in 1948. This woman had spent all her gold and savings on a piece of land in the village for her grandchildren. "If they at least have some property they belong somewhere", she stated.

Since the eruption of the Intifada, land has also been sold to generate income capital. One animal farmer in Beit Furik started to sell land in 1990, and continued to sell more

the following years when the family needed money. Last time he sold property was in 2006. He has only sold to relatives as it has been important for him to keep the land within the family. The farmer emphasized that he did not sell the land to buy food, but to put his daughters through university; an investment for the future. However, like gold, most people have already sold the land they could manage without during the first years of difficulties, thus we did not come across many who had sold land recently. This reflects the findings of Fafo's poll in December 2006 where 3 percent said they had sold land or other property before the Ramadan and Eid al Fitr celebration in 2006. In 2007, however, 6 percent reported having sold land property during the first six months of the year (Fafo 2007b).

Some families have nice houses and well furnished homes, but that does not necessarily mean that they have enough money to cover food and daily expenses. A PNA employee, who used to be quite well-off and now struggles because of lack of payment, has nice furniture and a lot of china in her house. However, she claimed she cannot make money on any of these belongings and added; "these days there is only a market for gold".

The fact that a lot of women have sold their gold during the past six years means that they no longer have any independent insurance. In a lot of cases the value of the gold is spent on investments for the family, like education for the children, or reinforcement of the family business. This type of spending may turn out to be profitable for the whole family as the children will be better able to provide for their parents once they are educated, or the family business survived due to the extra capital provided by the sale of gold. However, it makes the woman more vulnerable than before as she has lost the only valuable property that belonged only to her. Without the gold a wife's dependence on husband and children increases. These days, a woman's dowry has become the whole family's insurance.

Coping, but struggling

This report has showed what numerous activities the Palestinian people initiate in order to manage their lives. The six years of uprising have taken their toll, and most families studied suffer from the conflict in one way or another. People's way of coping can be contracted into the following three strategies: work, receiving aid and reducing costs.

Unsurprisingly, people living in households with employed members are generally better off than others and have not been forced to adapt to a changing environment to the same degree as those who have either lost their job or who suffer from loss of income due to a deteriorating economy. Although the unemployment figures have remained relatively stable over the past few years, and even decreased since 2002, a larger proportion of the workforce works less now than before the second Intifada, indicating a growing problem of underemployment. To aggravate the situation, inflation rates have surpassed wage increases in the private sector, leaving the employed in this sector worse off compared to the PNA staff and workers in Israel and settlements. However, the election win of Hamas in 2006 also had a detrimental effect on workers in the public sector as the new government was unable to pay salaries. Suddenly this group, that used to form the core of the middle class, found themselves in a similar economic situation to the unemployed, although the situation improved somewhat when allowances, for the most part paid by the European funded TIM, started in July 2006. The heavily reduced salaries in the public sector also had negative effects on the private sector which to a large extent relies on the large customer group that the PNA employees represent. The fiscal crisis that erupted in 2006 therefore affected the whole of Palestinian society, leading to pressure on both the employed and the unemployed.

The situation in which Palestinian society is embedded forms the basis for every person's well being. Additional to the fiscal crisis, the Israeli occupation of the West Bank, the siege of Gaza and the restrictions these entail have ramifications for both the choices people make and for their opportunities.

People who lack work or revenue seek additional income sources where possible. Persons with professional skills are better suited to finding adequate and well paid work than others. We have seen that several of the publicly employed teachers and health workers have taken on relevant work in the private sector to compensate for income loss after March 2006. The unemployed, unskilled workers are among those who struggle most and are facing each day not knowing whether or not they will be able to provide

food for the next day. Yet others are self-employed with variable income. Common for all but those with good stable wages in the private sector, the period since March 2006 has been very difficult and one way of meeting the challenge is to take on small-scale income-generating activities. Examples of such activities are sale of home-grown vegetables, cheese production, embroidery and occasional work in construction. Others have taken on larger projects, like establishing a chicken farm or opening a shop, where the investments have been higher. In societies lacking functional welfare systems, those able will do their outmost to generate income even if the economic return is low. This helps explain why the unemployment rates haven't increased tremendously in the past year. However, the unemployment rates say nothing about the returns of work, and a key finding in our survey, which corroborates statistical data, is that many work for little profit.

We have also seen that most families have combined all three main coping strategies. People with employment have been forced to reduce costs because their income has been reduced. Although the employed are not normally reliant on aid, both regular employees and people with occasional employment now depend increasingly on some form of aid.

The main institutional security networks are provided by UNRWA and the Ministry of Social Affairs. All refugees and the most destitute non-refugees receive food and, in the special hardship cases, cash assistance from these two institutions. One may argue that the access to aid is narrower for the non-refugee population compared to the refugees, and this has especially been the case during 2006 when regular social security payments from the MoSA came to a halt or were heavily reduced and irregular.

Broader in scope than the public assistance is the support from informal social networks, undoubtedly an important factor in how people get by without stable or sufficient income. Friends and connections are useful for several reasons; getting hold of food, favours, getting jobs, being trusted for credit in shops and for services, all things that are vital when you are living in a society where fixed employment and hence influx of cash is insufficient. This network of favours and exchange explains to some extent how existence is possible with the limited resources many report to have at their disposal. However, assistance from friends and family and bartering both require that you are part of a social network, which is what the poorest families often seem to lack. In addition, bartering implies that your presence in a social network represents a set of resources. As opposed to receiving one-way assistance you would need something to offer in return to be part of a formal or informal bartering network, which is difficult for the very poor or those unable to work. Hence, being poor or without a network may be self-reinforcing attributes, and either one strengthens the effect of the other. One respondent stopped visiting relatives after the Intifada started, especially during religious occasions. He said that he would need not only money for transportation, but

also money to buy gifts for those they are seeing. Because of this, his family's network has shrunk over the past years. Other respondents shared similar worries.

In spite of well developed social networks that keep the society somewhat afloat, several respondents expressed a feeling of shame for being poor and that it prevents them from seeking assistance. In many cases this leads to isolation from their network in an attempt to hide their difficult situation.

We find that except for the support from UNRWA, MoSA and the TIM, aid from other contributors, such as national and international NGOs, charity organizations, political factions, and foreign states, is provided merely on an ad hoc basis and often distributed randomly or by party affiliation. Thus, this type of aid is mainly an unexpected or rather seldom, but welcome, additional support, however not anything a person can rely on.

Job creation programmes are helpful but benefit only a few. Such programmes are more similar to emergency aid than structural aid as they seldom help beneficiaries to stay in the labour market.

In addition to employment and aid, all respondents claimed to have reduced their expenditure. Cost reduction is about buying less of everything, cutting out some expenses or postponing payments. Most people surveyed claimed to use all these strategies.

During our former study most families we met with claimed that they hardly ever ate meat or chicken, except on special occasions, while this time most people said that they usually had such food once a week. This is one indicator of a somewhat better private economy today than in 2002 where the unemployment rate peaked at 31.3 percent compared to 23.6 percent in 2006. There is, however, evidence for a drop in consumption during 2006 compared to the previous year.

New in 2006 was that even the upper-middle class had to start looking at their expenses. Many of the high-ranking employees in the PNA managed their daily life well and did not use to bother too much about expenses, but after the salaries were cut, the situation also changed dramatically for them. Products perceived as luxury goods were cut first, while core food items like bread and vegetables, educational expenses and transportation costs have been maintained.

A chief strategy for saving money is postponing payment of bills. In some areas non-payment of electricity bills was very common, among the employed and unemployed alike. In another location they all paid because otherwise the electricity would be cut. However, in all locations studied, the credits had increased tremendously in shops. Although the credit system developed long before the uprising, the amounts of accumulated debt have surpassed previous levels. So even if people in general save as much as they can and buy less than they used to, they still go to the shop and buy food on credit in spite of being unemployed and without any income source at all. Others have also stopped paying the phone and water bills and some had stopped paying the

landlord months ago. This means that people's savings are to a large extent at someone else's expense, and this cannot continue in the long term. Sooner or later the supplier of the groceries or the electricity companies will need people to pay, and that is when a deeper crisis will occur. Only the reinstatement of full salary payments in the public sector will prevent a deeper crisis.

Against all odds, the people have endured the hard times brought upon them by the international boycott of the regime, continued occupation of their land, the building of the wall and the increased internal fighting between Palestinian militant groups. People, severely stretched, have tried in every way possible to earn a living for themselves and their families. The employed have long provided for the ones without work, but when the wage earners keep losing income it is only a matter of time before they can no longer go on supporting their extended families in addition to their spouse and children.

The informal economy built up by food aid, sharing and bartering within social networks keeps the society afloat and prevents humanitarian crisis. The fact that money spent on food remained stable between 1998 and the first quarter of 2006 at 38 percent of total household expenditure indicates that Palestinian society was not yet facing an immediate poverty crisis, since that percentage would have increased if that was the case. That is, however, what happened during the second quarter of 2006. Total household food expenditure increased by six percentage points and reached 44 percent of total household spending in the months from March to June. This was an immediate effect of the cut in salaries in the public sector, and a clear sign of increased poverty. One cannot tell whether the amount of money spent on food compared to other expenditure still rests at a higher level than was normal until 2006, since there is no new data. There is, however, reason to believe that it has declined again as public employees have received full salaries again since April 2007 and the social assistance through the MoSA is back on track.

The core of the problem people are facing is, however, not merely economic. Enabling economic growth in Palestinian society requires political solutions to the problems of occupation. The lack of free movement and the restricted access to the Israeli labour market prevent adequate business conditions and, hence economic growth. The closure of the Gaza Strip has led to a collapse of its industry, and the surplus of unemployed workers without any income sources in sight may only lead to further deprivation of an already impoverished region.

Costs of conflict

"They punished the authorities, but the Palestinian people are suffering".

The statement above referring to the boycott of the government, made by a public employee in Jericho, reflects a general opinion among Palestinians. People have been undergoing tremendous changes since the Intifada started. Some years have been worse than others, but generally things have deteriorated by the year. However, in 2005 the unemployment rate decreased and fewer conflict related deaths occurred that year than in any other of the Intifada years, indicating less violence and tension than in a long time. Unfortunately, that year did not mark a long term change. The elections to the PLC, held in January 2006, brought Hamas to power. This was a democratic election, endorsed by the international community, but still it proved to impose grave consequences on the entire population. The boycott and following fiscal crises have, despite people's ability to adapt and constant creation and adjustment of coping strategies, contributed further to a negative social development in Palestinian society.

Here we will look at some of the effects the conflict has had on the society, with a particular look at the sectors of education and health, before examining how the conflict has affected people's minds and actions.

Education

The educational sector has suffered throughout the Intifada due to the closures that at times have prevented both teachers and students from going to school. The effects have differed from location to location and depending on whether a school has mostly local employees and students or not.

In Beit Furik, the schools have suffered from the siege imposed on both the town itself and on Nablus, preventing teachers living outside Beit Furik from coming to school. It was particularly a problem between 2002 and 2004, but the situation improved in 2005, and even more so in 2006 when teachers were only prevented from coming for seven days. All teachers who reside outside Beit Furik have a permit to access the town, applied for by the Ministry of Education. In February 2007, after the IDF imposed a siege on Nablus, the teachers were prevented from coming for three days.

In Gaza where military clashes have been more pronounced compared to the other locations studied, some schools have come under attack. Insecurity has forced some of them to close temporarily, while others had to be rebuilt due to damage.

In addition to the accumulated problems resulting from six years of conflict, the school system was hit hard by the teachers' strikes in the autumn of 2006. Many schools were closed for the two first months of the academic year 2006/2007 while others were operating with reduced staff. The effects of the strike were more marked in the West Bank than in Gaza, some teachers claimed, because more of the teachers in Gaza support Hamas and were less prone to take part in the strike than Fatah followers.

Teachers at both the elementary and secondary levels reported degradation of skills among the students. They blamed both the strike and the consequences of the Intifada for this development. One explanation given was that the conflict with Israel has made people angry and less devoted to following up on the children's education. According to principals at both primary and secondary schools, many parents are too busy trying to make ends meet and have lost interest in their children's school performance. Teachers met also pointed to the fact that the students have become more participatory in resisting the occupation during the Intifada and less interested in school. In some locations the periods of closure have also affected the students' progress negatively as they have lost many days of tuition when teachers or students have been unable to go to school.

A second reason given for the degradation of student quality is that teachers cannot teach a class at the level they're supposed to because many of the pupils are lagging behind. This knowledge gap among students within one class is due to a rule issued long ago by the Ministry that states that a maximum 5 percent of students at each level can repeat. That means that if 15 students in grade 5 fail the final exams (they get two attempts), and there is a total of 80 students at this level, only four students (5 percent) can be refused to enter level 6. The teacher and manager at the school will then have to correct the grades for the 11 other students that had actually failed, and make them pass. Only the four weakest students become repeaters. Therefore there is a high number of weak students at all levels. At one particular school visited, there were about 10-15 pupils in grades 6 and 7 who were illiterate. Some were not even able to write their name. Many deliver their homework blank. When the manager of the school contacts the parents to discuss the problem, the feeling is sometimes that the parents do not care, which makes further action difficult for the school. The manager explained that the parents have so many challenges in life that they do not have the extra resources to attend to their children's education. This 5 percent rule was mentioned by many teachers as a major obstacle to quality in school. The existence of a significant quality gap in Palestinian education is highlighted in a World Bank report, which shows that variations in scores in TIMMS results, both in mathematics and science, are much higher *within* schools than *between* schools (World Bank 2006b:19). The

difference *between* schools was 20 percent in mathematics and 19 percent in science, while it was 80 percent in mathematics and 81 percent in science within schools. The report explains the low difference between schools by the relatively egalitarian school system with a low threshold for access to education. The very large gap within schools, however, is credited to differences in socio-economic and family conditions and level of parent awareness of the importance of children's education.

According to teachers interviewed, a third element that has lead to a degradation of quality in school during 2006 is the lack of trust both between students and teachers and between the teachers and the government. The argument was that the strike has made the schools unpredictable for the students who feel that the teachers are abandoning them. The teachers, on the other hand, have not had an operative employer and no regular salary since Hamas took over the government. This situation has in some people's view affected the teachers' incentive and willingness to work as hard as before.

In contrast to the alleged problems regarding the quality of education and the students, the majority of graduates in the final year of secondary school (*tawjihi* level) are very eager to study hard to succeed. This is because education is perceived to be very important for the young person's future and for the future of Palestine. There is a lot of pride connected to acquiring education, although for many the importance of education is discovered relatively late.

On the one hand many feel that the political situation is taking too much of their energy to follow up on school work, while on the other hand the students see education as a way out of the misery and therefore make an effort to manage through the final year of secondary. A school principal at a secondary school for boys had seen a trend during the past six years that more boys complete secondary school now than before the Intifada started. Then, more students dropped out of school to take up work, but especially after 2002, when the closures were strict, the boys stayed at school because work opportunities were limited.

To prevent children from dropping out of school for economic reasons, the Ministry of Education reduced the school fees from NIS 40 to NIS 20 in 2006. Therefore there were few families that complained about the fees. However, for a family with many children, school related expenses might add up to become insurmountable, but the ministry has decided that the schools shall not exclude children of poor families that cannot pay the fees. At one secondary school in Beit Furik, half of the students had not paid the fee for the current school year.

Teachers in Gaza did not report on reduced school fees, and some parents reported that the school fees at the elementary level in public school was NIS 70 per child, and NIS 50 per child if they had siblings enrolled at the same school.

In addition to the fees comes the cost of uniforms and books, but many reported not having bought uniforms for their children. At elementary school the parents only

need to buy the English book, but at the secondary level, students are obliged to buy all the books.

UNRWA schools do not require any school fees, but the children are normally supposed to provide their own uniform and text books at the secondary level. This year however, as one school principal in Gaza reported, during the Intifada 30 percent of the students have not been able to cover school related expenses, and in 2006 that figure rose to about 60 percent. At this particular school a survey conducted during Ramadan in 2006 showed that 70 percent of the heads of households were unemployed. The critical economic conditions have had especially negative implications in Gaza, as reported by the principal from this school for boys aged 9-13. He said:

> "Many of the students are in a difficult economic situation. Their families cannot support them with their school needs and some of the students work after school. We have many child workers in Gaza now; you can see them selling different things in the main street."

Children who drop out of school are not allowed back into school after two or more years, according to one school principal interviewed. If they want to continue their education, they either have to take private tutoring or they may join a youth club or women's centre that offers specific courses. A young woman aged 21 years old in Beit Furik did just that. She stopped school while she was in 6th grade for medical reasons. It took more than a year for the doctor to diagnose and give her treatment. When she recovered after two years absence from school, she was not allowed to continue. Now, many years later, she has started studying again, thanks to an educational programme at the women's centre. She is studying for grade 6, and the teachers want her to continue with grade 9 next year. If enough women sign up for the course, she will, but otherwise the closest alternative course is in Nablus which will cost her an unaffordable NIS 20 in transport every day.

This woman's story is not unique. Many children drop out of school for different reasons, most often school failure, but when they decide to start again they face difficulties. Therefore, courses offered at women's centres or youth centres are valuable for those who decide to build a better future for themselves through education.

Private education

Some parents have chosen private schools for their children and pay considerably larger sums for the tuition than children in public education. Many have been forced to shift to public schools for economic reasons. Like the waiter in Jericho who had two girls enrolled at a private school until 2004. Before the second Intifada he used to earn well from tips at the restaurant where he has worked for 24 years. He could get NIS 2,000 per day in addition to a salary of NIS 1,000 per month. During the Intifada the

restaurant has been closed at times and he has sold a lot of his property to make ends meet, and in 2004 he could no longer afford to pay JD 180 (USD 257) in tuition fees per year for the two daughters. The fate of his employment rests on the Israeli closure policy. When access to Jericho is easy, the restaurant does well, but at times of strict closures, the business is gone. This man still pays debts to the private school.

A woman, employed in the public sector, still has her two children in private school, and pays NIS 2,600 annually. Due to lack of salaries in 2006, she was not able to pay more than NIS 1,600. USAID had recently visited the school and met with all the parents who had problems paying the fees, and they promised this woman to pay the remaining fees for her.

During the past year private schools became both more and less attractive at the same time; more because of the strike in the public sector, and less for economic reasons.

Higher education

Although the teachers and students reported low study intensity at primary and secondary levels, apart from in the final year, an impressive number of people put a lot of emphasis and resources into higher education. Most households visited that included youth above the age of 18, had someone enrolled in higher education. University studies are costly, but even unemployed parents and people with unstable income strive to give priority to higher education for their daughters and sons. Even if some find higher education futile because of lack of work opportunities, they still invest in it because being educated is always better than the opposite. An educated shop-owner in Jericho expressed it in the following way:

> "People do not care. Most probably they will never get to use what they learned. It is for their pride and prestige. However, you run your business better when you are educated."

The cost of a university course varies according to subject, level and number of classes taken per semester. Many reported the price per class to be between JD 15-18, and one semester course normally includes 20-30 classes, which makes the total price of one course somewhere between JD 300-540 (USD 450-810).

In addition to the university fees, come transportation costs for all those who study in another place than their home town. The closest university for students from Beit Furik is in Nablus, and in Ramallah for those from Rantis. Jericho students must travel further, to Bethlehem or Ramalla, while the youth in Gaza have education opportunities in their own city. Spending NIS 20-40 per day, five days per week adds up to a considerable cost.

People cope with the expenses in different ways depending on their household economy. A successful shop-owner in Rantis has very high costs related to his children's

university education. His daughter has to pay JD 18 (USD 25) per class for a 32 hour course. This girl has two siblings who are also attending the university, and total cost for the family per semester is JD 1,728 (USD 2,600). This man had several sources of income. First of all he had savings from several years of work in Kuwait until 1997, and secondly he is working as a teacher in addition to running the shop. So although he has a large family of eight persons to provide for, his two sources of income give him extra economic security.

People less well off than the family mentioned above have to struggle harder to cover educational expenses. Some students take fewer classes than the course is offering to reduce the overall price, while others take on extra work to be able to afford studying. The majority of the respondents reported, however, that they collect money from close family members to be able to pay. Since the tuition fees have to be paid at the beginning of each semester, it is no option to postpone the payment as one may do in shops. Some also take up loans to get their children through university. A vegetable shop- owner with modest income expresses his priorities like this:

> "We, as all others, have to make priorities; in this family we want to send all the girls (5) to university, even if it means that we have to take a loan to pay the fees."

There are of course many who find the expenses unbearable and simply cannot study due to lack of financing. Like the young woman in Rantis who had to quit school after her mother died to take care of her disabled father and the rest of the household. She has now gone back to school to finish her high school exam and would like to study computer science, but the dream is not likely to come true in the near future as the family doesn't have any income or support from any family network. As a family dependent on social security support from the Ministry of Social Affairs, which for the past year has been as good as absent, the chances of a rapid economic recovery are meagre.

However, the fact that so many do their utmost to educate their children is both politically and personally motivated. Many claimed education was important to build a future Palestinian state, while others put emphasis on personal development as they felt that education makes people more able parents and better prepared to secure their own living.

Health

In spite of numerous warnings of increased malnutrition in the WBGS during the years of Intifada, surveys conducted by the PCBS[7] shows that there has not been a drastic increase in malnutrition during the past few years. Acute malnutrition (weight for height <-2 Z-scores) stood at 1.7 percent and 1.2 percent in the West Bank and Gaza respectively in 2006 compared to 2.2 percent and 3.7 percent in 1996. The low numbers indicate a decrease, but these may be as a result of measuring errors. However, the figures support the findings of this report that families in general do not face a shortage of food. Chronic malnutrition (height for age <-2 Z-scores) on the other hand has risen slightly in both locations from 6.7 percent to 7.9 percent in the West Bank and from 8.2 percent to 13.2 percent in Gaza between 1996 and 2006 (stunting). General malnutrition (weight for age <-2 Z-scores) was measured to 3.2 percent in the West Bank in 2006 compared to 2.6 in 2000 (no figures for 1996), and to 2.4 percent in Gaza in 2006, the same level as in 2000[8].

None of the doctors we talked to reported malnutrition as one of the main health problems in the societies studied. Stress related diseases were of much graver concern. All doctors claimed that hypertension, diabetes, heart problems and high blood pressure had increased during the years of Intifada. Survey data shows that 10 percent of the population suffer from at least one diagnosed chronic disease, a 31 percent increase since 2004 (PCBS 2007c:16). To cope with the stress a lot of men claimed to have increased their cigarette smoking.

Another problem related to the health situation is access to hospital care. In a village or small town that does not have secondary health care institutions, the inhabitants are dependent on rapid transportation to hospitals in cases of emergency. In Beit Furik the strict closure policy makes it problematic for acutely ill patients to get to hospitals at night after the checkpoint has closed and ambulances are prohibited from entering the town. Patients have to be taken down to the checkpoint, someone has to wake up

[7] Sources : Palestinian Central Bureau of Statistics. Analytical report released from the Nutrition Survey – 2002. Ramallah: PCBS; 2002.
Palestinian Central Bureau of Statistics. The Health Survey in the West Bank and Gaza Strip: Main Findings. Ramallah: PCBS; 1997:177
Palestinian Central Bureau of Statistics. Health Survey. Final Report. Ramallah: PCBS; 2000:41
Palestinian Central Bureau of Statistics, Nutrition Survey - 2002, Child Nutrition in Exceptional Circumstances, The Case of Palestinian Children Ramallah: PCBS; 2002.
Palestinian Central Bureau of Statistics. Palestinian Family Health Survey, 2006, Preliminary Report, April 2007.

[8] In an adequately nourished population 2.3% of all children will have a Z score lower than -2 on all the mentioned measurements.

the soldiers that are resting close by, and the patient's chance of crossing and entering the ambulance that is waiting on the other side is entirely dependent on the soldier on duty that night. The doctor met with in Beit Furik recalled two persons who had died at the checkpoint in Beit Furik. The last case was in 2004 when a man passed away after two hours' wait.

Both in Rantis and Beit Furik people expressed a need for a 24 hour medical clinic. The private practitioners are already on call day and night, but in emergency cases they can only provide first aid. However, considering the closeness to a nearby city with sufficient health care facilities, it is rather adequate *access* to these institutions that is lacking and not medical institutions in themselves[9].

The strike in the public sector has led to a greater dependency on private doctors. For people with public health insurance, the cost of medical treatment has risen as they have to pay the private doctor, and pay more for the medicine. Especially patients with chronic diseases were suffering from the strike, as for several months they did not receive treatment they depended on. In general it is the chronically ill that also suffer the most, independent of the strikes. They are in need of regular treatment and expensive medicines and sometimes operations. In times of economic hardship, these expenses are beyond people's ability to pay, and many live on reduced medication and postpone necessary treatment. This has a negative long term effect on the household economy as these patients cannot be breadwinners as long as they do not function well in everyday life.

A positive development since 2002 in two of the locations studied is that the water situation has improved. Rantis has been connected to a piped water system, while Beit Furik now has a well providing all households with water. In both places people gained economically from the change, but in Beit Furik the water quality improved so that it enhanced people's health as well, according to one of the local doctors. Before the well was there, people were dependent on tanker trucks in the summer and on rainwater in the winter. According to the doctor, the frequency of certain diseases has been significantly reduced since the new well came into use.

In addition to stress related diseases, what one should look out for in the near future are health problems connected to lack of electricity. As more and more households experience electricity cuts due to unpaid bills, storage of food in the hot summer months will be difficult and potentially harmful. Likewise, cuts in water supplies if unpaid water bills should become more common, might also have negative health effects as they will lead to less cleaning, increased use of rainwater collected in improper storage tanks and therefore more diseases.

[9] There are a total of 75 hospitals in the Palestinian territories, 53 in the West Bank and 22 in the Gaza Strip. 22 of the hospitals are run by the Ministry of Health, 27 by NGOs, 23 by the private sector, one by UNRWA, and two by the military establishment (PCBS 2007c).

Poverty and food insecurity

The Comprehensive Food Security and Vulnerability Analysis conducted by the Food and Agriculture Organization of the United Nations and the World Food Programme concluded that no acute food crisis has materialized in the WBGS as yet. The report attributes this conclusion to traditionally strong social ties which tend to preclude the possibility of acute household hunger (FAO and WFP 2007:v). This conclusion fits well with the findings of this report which show that one of the main coping strategies is reliance on assistance from family and friends. However, food insecurity is expected to increase if structural elements for trade and industry, aid coordination and streaming to the neediest remain unaddressed.

A natural consequence of the deteriorating Palestinian economy since the start of the uprising is an increase in the level of poverty. As shown in the first part of the report, the monthly median household wage decreased significantly between 2000 and 2006. A labour force survey conducted in the 2nd quarter of 2006 shows that 66 percent of Palestinian families live below the poverty line (each household member has less than USD 1.8 in wage income per day).

These gloomy figures reflect high unemployment, insecure income sources, high debt levels and reduced food intake. Yet it is only a minority who said during the interviews that they feel they are really poor. The majority of the respondents characterize themselves as neither rich nor poor. This is supported by the findings in Fafo's survey conducted in July 2007 where 46 percent said they were neither rich nor poor and 16 percent felt they were poor (Fafo 2007b). Palestinians compare their economic status in relation to other people in their neighbourhood and use 'food-on-the-table' as an indicator of poverty. One man in Jericho defines economic status like this:

> "As long as I am cooking for my children, I am rich. As long as I am not begging, I am rich."

The poverty statistics based on household wage income do not take into account the income from the informal economy. The significant gap between household income statistics and people's own narratives about their wellbeing can be explained by the assistance given by institutions and social networks and home production that to a large extent compensate for the wage loss.

People manage to bring food on the table due to the significant amount of food aid that is given through UNRWA and the WFP (through the Ministry of Social Affairs or various Work-for-Food programmes), as the two largest institutional contributors. The Israeli-Palestinian conflict during the last seven years has altered the economic development of Palestinian society. Fafo's study from 2002 emphasized the importance of salaries in the public sector, and showed how public employees carried the burden of unemployed extended family members. In this study we have seen the effects of the

shortfall of this income source. We have seen signs of a shift from a wage economy to a bartering economy, where support through institutions and social networks became the main safety net for a large number of households without employed members.

At the same time the public sector has grown over the past few years, which normally would strengthen the wage economy, and did so once the salaries were paid back in full in April 2007. What we see in the West Bank and Gaza is a dual economy with increasing significance of the public sector on the one hand, and of the private sector on the other, which is reduced to service provision to the employees of the public sector. This leads to low real production, and such a system is only viable due to international aid.

Long-term reliance on institutional and non-institutional assistance slows down production and economic development. During 2006 international support replaced wage income for a large number of people, but the part that was channelled as food aid is not measured in poverty analysis. Yet it is this type of assistance that helps explain why the recipients of aid do not characterize their households as poor. People have adjusted their requirements and expectations to the situation in which they live, and will not say they are poor as long as they are able to provide food on the table every day. People who are excluded from the aid system are the most destitute, and will define themselves as poor.

Sharing, bartering and aid currently keep the living standard at a tolerable level for most people, and the fiscal crises in 2006 partly resulted in the better-off segment of the population no longer being so well-off. But, through 2006, new groups became poor and dependent on aid, while richer groups became poorer and lost purchasing power, thus resources and cash flow were further reduced. A society relying to a large degree on a system of assistance and goodwill between family and friends will be very vulnerable when poverty increases beyond a certain point. Poor families may not have the energy or resources to help others, and suddenly a large part of the population will be without a safety net. In the period studied, the only stable official aid provided was for refugees; support for non-refugees was not prioritized and thus did not prove to be reliable to the same extent.

Of the 3.9 million people living in the West Bank and Gaza Strip, about 1.6 million are refugees and 2.3 million are non-refugees. The Comprehensive Food Security and Vulnerability Analysis (CFSVA) report estimates that 40 percent of the refugees and 30 percent of the non-refugees are food insecure. Food insecure households are defined as households with income and consumption below USD 1.6 per person per day: households that show a decrease in total food and non-food-expenditure included those that are not able to further decrease expenditure patterns. These households either rely on assistance or compromise their food security status. As all refugee households receive food packages from UNRWA, and hardship cases also receive money support, these households may not be food insecure in practice. Many marginalized

refugee households are totally dependent on aid, but as the UNRWA aid is stable and reliable, there should not be an immediate risk of acute food crises or famine for these families, even if the negative economic development continues. For the marginalized non-refugee families on the other hand, the situation is different. In spite of reform and relief-programmes initiated by the World Food Programme and the Ministry of Social Affairs meant to target poor non-refugees, the financial boycott reduced their impact. The registered receivers of aid from MoSA got most of the required aid during the past year, but it was irregular, unreliable and insufficient.

The needy who are not entitled to aid by MoSA have to rely on good faith combined with the goodwill of their social network and occasional ad hoc assistance from international NGOs.

The main group of new-poor that emerged in 2006, were people affected by the unpaid PNA salaries, that later were paid, but irregularly and insufficiently. The refugees in these groups were entitled to UNRWA aid for as long as the interruption of salaries continued. New-poor non-refugee families on the other hand were left out of the social security system, as no one was allowed to register for aid from MoSA in 2006. When we take into account that MoSA aid is provided only to a small part of the poor non-refugee population, and that the support has proved unstable and unreliable, there are reasons to be concerned about the food situation of poor non-refugees if the negative economic development in the West Bank and Gaza continues.

Pressure on society

Domestic violence and increased family tension

Some of our respondents highlight the problem of increased domestic conflicts and fighting linked to economic hardship and daily struggle. A man in Jericho admitted that he is much more worried about the level of conflict in his family than lack of food:

> "The worst thing is what happens with the relationship of family members. If my wife asks me something, even reasonable, during bad times, I can get very upset."

Others also described the psychological pressure as the worst thing to endure. A woman said that the "no work – no money to buy"-situation makes it easy for her and her husband to start fighting. The imam in Beit Furik was certain that the level of conflict in the society has increased during the Intifada. People come to him and ask him to help solve problems with family members who become violent. Recently the brother of an unemployed man with many children came and asked him to help his brother to find a job; the brother was frustrated and frequently violent and refused

to talk to his wife and children. In response to a question about whether or not this troubled man was mentally ill, the imam laughed drily and responded: "Yes – and the only medicine is money!"

The imam in Beit Furik said that especially a lot of young couples cannot cope with their financial situation and that the number of divorces in his congregation has increased during the Intifada. According to the imam, 17 couples divorced in 2006 compared to 4-5 couples each year before the Intifada. In spite of this development in this particular town, the PCBS statistics do not give evidence of an increased divorce rate in the West Bank and Gaza Strip in general during the Intifada. The lack of money also makes it difficult to get married and puts stress on couples; some have waited for more than five years because they lack the financial means necessary. In 2006, 65 couples had planned to get married in Beit Furik and 27 of them cancelled the wedding.

A survey on domestic violence conducted by the Palestinian Central Bureau of Statistics in 2006 showed that a high number of women experience violence at home (PCBS 2006c). Twenty-three percent of ever-married women said that they had been exposed to physical violence by their husbands during 2005, and 61 percent reported they had been exposed to psychological violence and 11 percent to sexual violence. It is not only wives that are exposed to violence from husbands; violent behaviour also affects other family members. Fifty-three percent of unmarried females reported having been exposed to psychological violence and 25 percent to physical violence. Half of the women interviewed also supported beating children when they behave in an unacceptable way according to the family perspective. In addition, 26 percent of the women's husbands had been exposed to psychological violence, but few of them (4 percent) had been exposed to physical abuse, according to the PCBS report.

As there are no comparative quantitative surveys from earlier years, it is not possible to correctly assess whether domestic violence has actually increased during the Intifada. However, studies of countries in conflict tend to show that violence towards vulnerable groups increases with conflict level. A case study commissioned by United Nations Population Fund suggests that gender-based violence is in fact increasing as a result of rising political tension and violence in the West Bank and Gaza (UNFPA 2006). A study conducted by Human Rights Watch came to the same conclusion (Human Rights Watch, 2005).

In addition to conflicts between husbands and wives, respondents also referred to quarrels between parents and children as a consequence of deteriorating living conditions. Children get frustrated when their wishes are constantly rejected due to lack of money, and the parents feel bad for not being able to provide better for their children. For families who used to be better off, the new situation increases the stress level within the household. A married couple, both public employees, expressed their family's situation like this:

"We always have conflicts at home these days. We feel especially bad for the children. They ask for something and we say that we will bring it. The problem is that we do not know when we will be able to."

Adding to the stress caused by financial difficulties are the travel restrictions preventing people from visiting close relatives. Going to Gaza has been especially difficult during the past four years, and a man from Jericho who was not allowed to go there for his mother's funeral said: "Naturally, all this affects us in a negative way."

Some people fear an increase in illegal activities such as stealing, prostitution, and drug dealing should the financial difficulties in the Palestinian territories endure. According to a camp manager in Jericho, this is already happening on a small scale, and he explained it by saying: "A bad situation can bring out the worst in people."

Radicalized youth

Not only does the psychological pressure caused by financial constraints and occupation have an effect on domestic issues. The past six years of conflict have resulted in a radicalization of the young generation. Resisting the occupation has become the most important issue for a lot of young men. Adding to people's anger is the fact that there are more Palestinians in Israeli jails now than ever. Only in March 2007, the month of the study, the IDF conducted 634 search and arrest campaigns in the West Bank and 682 Palestinians were arrested (OCHA, 2007b, Closure Update April 2007).

In Beit Furik, we were told that a majority of families either have or have had a household member in jail. At the time of the study 110 people from this town were under Israeli arrest, according to the youth centre manager. Three quarters of the male population in Beit Furik have been in prison once, according to authoritative persons in town. More than half of the population is under the age of 19 years. Common for most of them is that they have lost all hope of a peaceful solution to the conflict, although some still dream of a better future.

A PNA employee in his thirties has been in Israeli jails four times. He was first imprisoned for six months at the age of 16. The following year, he served 10 months for putting up posters of martyrs and PFLP members around town. At that time, before the establishment of the PNA, it was not even allowed to wave a Palestinian flag. He got arrested again in 1990 and served 6 months. The last time he was imprisoned by the IDF was in 2000 when he spent 2 months in jail. His brother has also been arrested.

The motive for his actions has been to fight the occupation. After the periods in prison he worked in Israel, and while he was there, one Israeli asked him why he kept fighting and resisting: "Why don't you just accept your life and try to make the best out of it?' The young Palestinian replied: 'I want to see the sky, the water, the land - eve-

rything! I want to be able to do anything that pleases me! I want to be free to choose what I want. I want a real country, not what we have now!'."

While movement restrictions and Israeli incursions appear to be the main problems of occupation for the youth in Beit Furik, the building of the separation barrier was mentioned as the most critical development in Rantis. Due to the barrier, the main entrance to the village will be changed and everyone will have to pass through a gate to get in and out of Rantis, according to one young male respondent. He expressed his reaction to the wall by saying:

> "It is like they are expelling the people again, and when it happens everything will be very hard again, even harder than it is now. But we have seen this so many times that the only wish and hope I have for the future is that we can hold on to what we have at the moment and not lose any more. We have no other choice than to cope with the situation."

When asked if the wall does not make him angry, he responded that most of the time he had stopped being angry, but he and his friends often talk about how they feel lost. Lost because it is so unclear what will happen to them and what the future will bring. He continued:

> "We have stopped dreaming, to me it seems like this whole conflict has to be solved somewhere else, all we can do is just keep what we currently have."

For most Palestinians it is incomprehensible that the international community has not put more pressure on Israel to end the occupation. They feel abandoned by the whole world although they are well aware of the sums of money that are provided in aid. Last year's boycott of the government was even less understood. People ask themselves why the Western countries demand democratic elections while at the same time they do not accept the outcome of them. Some people have also started to question the Palestinian public institutions, like this vegetable seller from Rantis:

> "We thought that the establishment of the PNA would mean that we would get freedom. All that has happened is that things have gotten worse. At least before, the Israelis had some responsibility for us, now no one seems to take the responsibility. We do not belong anywhere anymore; we do not know where we are at the moment. Who are the ones we should answer to and who should answer to us?"

The young respondents' greatest wish is for the occupation to stop. They want to live in peace. High school boys from Beit Furik tell the following about their dreams for the future:

> "We are in a prison. We want to see other countries, like Europe. We want to study there. We want to swim in the sea! We never had the chance to learn."

There is a pool in Nablus where the boys could have learned to swim, but they had never been. They were afraid to pass the checkpoints.

In fact, the youth lack recreational space to meet and socialize outside their homes. Outside the cities there are few cafés or similar gathering places. The main activity for youth in the West Bank and Gaza Strip, like other places, is chatting with people on the Internet. The high school boys in Beit Furik communicated with people in many parts of the world, but mostly with Palestinian peers, discussing the occupation. However, surfing the Internet is for the privileged few as only 16 percent of all households have Internet connection, 14 percent in the West Bank and 17 percent in Gaza (Fafo 2007b).

Some of the high school boys referred to above had been arrested. According to the principal at their school, nearly all the boys at school have been in prison for shorter or longer periods. Many had been arrested for 1, 2 or 3 weeks while others had been inside for 6 months, a year or two or more years.

Most of the boys got arrested for throwing stones or making Molotov cocktails. Although they knew these actions put them in great danger of being arrested, they did it out of pride and honour. Rumours had it that some universities even gave a student an extra credit for being arrested, implying that the universities encourage resistance against the occupation.

A student who is imprisoned for two years or more cannot reckon to be accepted back at school because he will not fit in with the rest of the class due to his age. These students may take the exams in the prison, but this is hard as they do not always have easy access to school books.

According to the teachers interviewed, youths are harshly treated in prison. Both physical and mental violence occurs in prison, but still there are many young men willing to take the risk. According to ADDAMEER Prisoner's Support and Human Rights Association, Palestinian child prisoners are transferred to different prisons in Israel. Some are held in juvenile sections while others are mixed with adult prisoners. Male child prisoners with Israeli blue identity cards are held in a section intended for Israeli juvenile criminal prisoners. Juvenile prisons are reckoned to be worse than the prisons for adults as in the latter, the adults take care of the younger inmates.

Life under siege and repeated arrest campaigns in towns and villages at night anger the population and make resistance an important mission for many boys at a young age. Having occupation soldiers at your doorstep at night is not an uncommon occurrence, and a survey conducted in 2005 showed that 47 percent of the surveyed women had experienced this in the period preceding 2005, while 7.4 percent had such an experience during 2005 (PCBS 2006c:88). Some towns, like Beit Furik, are especially targeted and a family from this location told the following story:

"Although 'Mohammed' had not been arrested since 2000 and not been involved in anything after that, the soldiers came to his house in the middle of the night at 4:30 two months ago. They knocked on the door and pushed the father into a corner of the room, and asked him where the '*mujahedin*' were (the freedom fighters). He fetched the two sons who were home and said with a laugh– there they are. The father was asked to gather all 13 family members before the soldiers started to search the house. They went through every drawer and closet in the house. They didn't find anything, but they asked for the third son. He was not home because he lived at his place of study. The soldiers gave the father a paper and ordered that the absent son should come home and pick up the paper and then report to an IDF camp near Nablus. The soldiers left the house after 40-60 minutes without making any arrests. The son returned home from university and reported himself to the IDF camp in question. After having waited there for two hours, the soldiers looked at the paper and asked him to go home and return the next day. So he did, and the same story repeated itself. He returned also the third day and nothing happened. This son had never been in prison."

We learned from other stories that the one told above is a typical example of what are perceived as random searches into homes of people who have a previous record. The ordering of the third son to report to an IDF headquarters appears to be nothing but a control mechanism aimed at inflicting fear and caution without having any claims or suspicions directed towards this young man. A common result of such house searches, according to respondents who had been through them, was terrified children and upset adults. In spite of the feeling of fear that Israeli soldiers inflict on Palestinian children and youth, the experience of being invaded in your own house at night only makes them more and more determined to fight the occupation.

Although the Nablus area is considered one of the centres of rebellion in the West Bank, respondents elsewhere did also report arrests, although on a lesser scale than in Beit Furik. At the time of the fieldwork, there were 13 people from Rantis who were serving time in Israeli prisons. Not all are arrested for alleged military and/or political activities. Some end up in jail for sneaking into Israel to work, others for herding their sheep in areas close to Israeli settlements or in C areas. There are also times when people are imprisoned for no obvious reason for one to four weeks as part of a collective punishment.

Being politically active is, however, the most common reason for arrest. The leader of the village council in Rantis is from Hamas and goes in and out of prison on a regular basis. His deputy is also arrested from time to time, and they joke about establishing an office in the prison where they may work together.

Concluding remarks

The Palestinians are enduring the crisis and have adapted to long-term conflict. Most families have marginal resources at hand and have adopted a modest lifestyle. The economic hardship reached a peak following the international boycott of the PNA and the Israeli suspension of transfers of Palestinian tax revenues. These realities amplified the problems the Palestinians were already facing after six years of Intifada. Against all odds, people manage, but the society is suffering at all levels. The educational system is failing, people's health is deteriorating, and family ties are weakening. At the same time there is reason to worry about increased social tension both domestically within households and in society at large.

The Israeli government's decision in July 2007 to restart the monthly transfers of clearance revenues to the PNA and the EU's pledge in September the same year of lifting the boycott are both positive developments indicating a promising start for the recovery process. As noted by Fafo and others in the past, PNA salaries and running costs are the single most effective economic assistance to the Palestinian economy and to Palestinian households. However, for the PNA to become less aid dependent, and for households to move beyond mere coping, the conditions for a vital economy must be improved. Economic growth and sustainable development require removal of movement restrictions within the West Bank and a fulfilment of the "Agreement of Movement and Access" of goods to and from Gaza. Economic recovery is therefore closely linked to political solutions to the Israeli-Palestinian conflict.

The political conditions under which people live are of key concern, because they constitute the root problem. Although the Palestinians have learned to live a life under occupation, this condition troubles them in their everyday life. The occupation assaults their pride and national identity. In addition, the lack of freedom and a sovereign state contributes to a heavy psychological pressure. The Israeli presence is visible in every town, and Palestinians who need to commute to work or studies are constantly reminded of who controls their territory.

Added to the problems of occupation, the internal political tension and conflict between the two main political movements, Fatah and Hamas, have become more pronounced. Many respondents expressed great concern over the rivalry. The power struggle contributes to a further reduction of people's welfare, and unless there is a rapid national reconciliation where the parties agree on a future political strategy for how to govern the Palestinian areas and how to approach the peace negotiations, there is reason

to believe that the political gap between the Hamas-run Gaza and the Fatah-run West Bank will grow. As worrying, without a common Palestinian political platform, a future peace with Israel, if ever obtained, will be difficult to maintain. Hamas has become an important political actor in Palestinian politics and must be part of the solution. The future wellbeing of Palestinians does not, therefore, merely hinge on progress in the peace negotiations between the PNA (PLO) and Israel, but also on a successful internal political process. An enduring conflict between Hamas and Fatah significantly limits political action and blocks all viable strategies in the peace process.

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Against the Odds

2006 marked a turning point in Palestinian politics. Hamas won the legislative elections and pushed Fatah out of government. The international sanctions of the Hamas government and Israel's decision to withhold Palestinian tax revenues led to a fiscal crisis in the Palestinian National Authority. A bankrupt Hamas government was unable to pay salaries to public employees.

The present report depicts the efforts made by Palestinians to cushion the effects of the economic crisis. The study, which builds on fieldwork conducted in March 2007, argues that food aid and postponement of bills are key factors in explaining why a humanitarian crisis has not yet occurred in the West Bank and Gaza Strip. To compensate for wage reduction or unemployment, people sought to multiply their income sources. Those unable to generate cash income relied heavily on social networks.

Palestinian society is becoming increasingly aid dependent, and mobility restrictions on the West Bank and the siege of Gaza prevents economic recovery. While refugees benefit from UNRWA support, needy non-refugees are more vulnerable

Fafo
P.O.Box 2947 Tøyen
N-0608 Oslo
www.fafo.no/english/

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