

THE PALESTINIAN NATIONAL AUTHORITY

**Studies of the
Experience and Performance
1994 -2013**



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Dr. Mohsen Mohammad Saleh

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Table of Contents

Table of Contents	3
List of Abbreviations	9
List of Contributors	11
Introduction	17
Chapter One: Establishment of the Palestinian National Authority	(19–82)
First: The Evolution of Palestinian Authority Status and its Jurisdiction	21
Second: PA Structure	54
Third: Israeli Policies and Measures Affecting the PA	62
Conclusion	81
Chapter Two: The Performance of the PA Presidency 1994–2013	(83–122)
Introduction	85
First: The Legal Reference of the Institution of the Presidency	86
Second: The Institution of Presidency and the Palestinian Factions	105
Third: The Presidency and the Israeli Occupation	111
Fourth: Palestinian Foreign Relations	117
Fifth: The “Palestinian State” Between Reality and Possibility	120
Conclusion	121
Chapter Three: The Performance of the Palestinian Governments	
2003–2013	(123–174)
Introduction	125
First: The Government in the Palestinian Basic Law	126
Second: The Sixth Government: The Government of Mahmud ‘Abbas	127
Third: The Seventh Government: The Emergency Government of Ahmad Qurai‘	131
Fourth: The Eighth Government: The Government of Ahmad Qurei‘	133
Fifth: The Ninth Government: The Government of Ahmad Qurei‘	137

Sixth: The Tenth Government: The Government of Isma‘il Haniyyah	144
Seventh: The Eleventh Government under Haniyyah (National Unity Government)	148
Eighth: Salam Fayyad’s Post-Schism Governments	153
Ninth: Isma‘il Haniyyah’s Post-Schism Governments	164
Conclusion	173

Chapter Four: The Performance of the Palestinian Legislative

Authority 1996–2013	(175–206)
Introduction	177
First: The Theoretical Framework of the Legislative Council’s Role	179
Second: The First PLC 1996–2006	181
Third: The Second PLC From 2006 Until the End of 2013	194
Conclusion	205

Chapter Five: The Performance of the Palestinian Judiciary and

the Achievement of Justice 1994–2013	(207–242)
First: Organizing the Palestinian Judicial Authority: Its Necessity and the Indispensable Elements for Its Independence	209
Second: The Drawbacks in the Organization and Performance of the Palestinian Judiciary	215
Third: The Growing Drawbacks in the Organization and the Performance of the Judiciary After the 2007–2013 Split	228
Conclusion	239

Chapter Six: The PA Internal Political Performance (243–278) |

Introduction	245
First: Determinants of the PA’s Internal Political Relations	245
Second: The PA-PLO Relationship	246
Third: The PA-Palestinian Political Forces Relations	256
Fourth: Division and Reconciliation	274
Conclusion	277

Chapter Seven: The PA Economic Indicators 1994–2013	(279–328)
Introduction	281
First: Economic Performance Determinants	281
Second: Gross Domestic Product	284
Third: GDP per Capita	287
Fourth: Public Debt	291
Fifth: The PA’s General Budget (Ramallah)	292
Sixth: The General Budget of the Caretaker Government (Gaza Strip)	304
Seventh: Employment, Unemployment, and Poverty	306
Eighth: Industrial and Agricultural GDPs	312
Ninth: Trade	314
Tenth: Foreign Aid and Grants	320
Conclusion	328
Chapter Eight: Human Development Under the PA	(329–371)
Introduction	331
First: Social and Demographic Indicators	331
Second: Educational Indicators	344
Third: Health Indicators	357
Conclusion	370
Chapter Nine: The Performance of the PA Security Forces	(373–424)
Introduction	375
First: The Security Agenda in Palestinian-Israeli Agreements	375
Second: The Formation of the Security Forces and Their Development	381
Third: Palestinian-Israeli Security Coordination	392
Fourth: Destabilised Security: The Causes and Confrontation Efforts	402
Fifth: Respecting Human Rights	410
Sixth: Security and Reconciliation Efforts	415
Seventh: External Influences	418
Conclusion	423

Chapter Ten: The PA Policies Towards the Palestinian Resistance(425–470)

- Introduction**427
- First:** The PA’s Policies Towards the Palestinian Resistance 1994–2000429
- Second:** The PA’s Policies Towards the Palestinian Resistance
2000–2007438
- Third:** The PA’s Policies in Ramallah Towards the Palestinian
Resistance After the Hamas Takeover of GS 2007–2013446
- Fourth:** The PA’s Policies in Ramallah Towards the Peaceful
Popular Resistance461
- Fifth:** Managing the Issue of the Prisoners and Detainees in Israeli Jails464
- Conclusion**468

Chapter Eleven: The Media Under the PA(471–501)

- Introduction**473
- First:** The Media Between the Past and the Present473
- Second:** The New Era476
- Third:** Radio and TV482
- Fourth:** State-Owned Media After the PA Establishment483
- Fifth:** Online News Sites485
- Sixth:** The Media Freedoms488
- Seventh:** Violations491
- Eighth:** Media Landscape in Light of Schism494
- Ninth:** Problematic Content497
- Tenth:** PJS and the Protection of Freedoms498
- Conclusion**500

Chapter Twelve: Foreign Policy of the PA 1993–2013(503–538)

- Introduction**505
- First:** Palestinian International Diplomatic Relations508
- Second:** International Policies Towards the Palestinian Issue after Oslo510
- Third:** Stages of Palestinian International Policy following Oslo518

Fourth: Principal Themes of Palestinian Foreign Policy	524
Fifth: General Assessment of the PA International Political Performance	536
Chapter Thirteen: The Problem of Corruption in the PA	(539–579)
Introduction	541
First: Corruption in the PLO	541
Second: Corruption in the PA	544
Third: Israeli Leveraging of Corruption for Political and Security Blackmail	570
Fourth: The PA’s Anti-Corruption Efforts	570
Fifth: Examples of Allegations Involving PA Figures	573
Conclusion	579
Evaluation and Conclusion	(581–588)
Index	(589–600)

Chapter Seven

The PA Economic Indicators 1994–2013

Dr. Mohsen Mohammad Saleh

Iqbal Walid ‘Omeish

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The PA Economic Indicators 1994–2013

Introduction

Despite the availability of detailed and rich materials that require extensive comparison and analysis, this analysis will only talk about the most important indicators, as much as the scope of this book allows; making sure a clear general idea is given of the PA's economy (covering WB and GS) over a period of 20 years.

First: Economic Performance Determinants

To understand or evaluate the PA's economic performance, there are some determinants and conditions that must be considered. The standard methods used to assess the performance of states do not apply in this case. The most significant determinants are:

1. The Israeli Occupation and Its Repercussions: The WB and GS are suffering from an Israeli occupation that brings in Jewish settlers and places the Palestinian population in an oppressive environment that forces them to migrate and leave their land. Although Israel withdrew from GS in 2005, it controls access to it via air, land and sea, enforcing a harsh blockade. In WB, it has security and administrative control over 60% of the territory, controls its border crossings and pursues a policy of systematic settlement that has led to the construction of about 200 settlements, where 700 thousand Jewish settlers live. Israel controls the movement of individuals and goods, setting up hundreds of checkpoints inside WB. It has built a Separation Wall, which has severely damaged the economic and social lives of hundreds of thousands of Palestinians. In addition, Israel controls around 85% of water resources in WB.

Since the WB occupation in 1967, Israel has adopted a policy that aims at the annexation of the WB and GS economies to its own economy. Moreover, it has prevented the PA from implementing strategic infrastructure projects such as an airport, seaport and electricity production. The drilling of wells and the construction of highways and infrastructure is allowed to proceed at a minimum, to the level that it does not interfere with Israel's exploitation of above-ground and underground

resources, and has no conflict with its needs, rather than the Palestinians' needs. Moreover, Israel does not hesitate to use any brutal means such as killing, detention, and siege, as well as the destruction of homes, institutions, economic projects, and infrastructure if met with resistance by the Palestinian people. For example, Israeli destruction and harassment practices during the *al-Aqsa Intifadah* (2000–2005) caused economic losses estimated at \$15.6 billion. The Israeli GS war in late 2008 and early 2009 resulted in direct losses estimated at \$2 billion,¹ while its GS war in the summer of 2014 led to direct losses estimated at \$2.8 billion.²

The economic annexation policy has made more than 80% of PA's exports go to Israel, while about 72% of its imports come from Israel (see the section on trade). Based on the above, Israel's policies are the core reason for the Palestinian economic crisis, and the PA economy cannot be understood without understanding the Israeli occupation and its methods and policies.

2. The Paris Protocol: This 1995 PA-Israeli agreement regulated the economic relations between the two parties. However, it was not an economic agreement between two states in the literal sense of the word. Rather, it was an agreement to regulate the self-government's economic relations with an occupying state, and to consolidate the latter's dominance over the Palestinian economy. The most notable points of the agreement were: Israel's control of the movement of goods and people, as well as control of land, sea, and air crossings, thus controlling the movement of exports and imports. Israel would collect the PA's tax revenue (clearance), which make up about 60% of its domestic revenue, using the fact that it has the power to deliver or deny the PA the revenue as a means of blackmailing the Palestinian people.

¹ PECNDAR, "Direct Economic Losses Due to Israeli Aggression on GS from 28/12/2008–Date of Ceasefire 18/1/2009," 29/1/2009, <http://www.pecdar.org/atemplate.php?id=620> (in Arabic); PCBS, Dr. Shabana Head of Palestinian Statistics Displays Preliminary Economic Losses in the GS Due to Israeli Aggression Until 17/1/2009, 19/1/2009, http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/gaza_losts.pdf (in Arabic)

Note: A report by the Ministry of National Economy stated the direct losses due to Israeli Aggression on GS late 2008 and early 2009 reached \$1,346 million, while indirect losses around \$750 million. See Hazim al-Shannar, "Semi-Final Estimates of Economic Losses of GS Due to Israeli Aggression (27/12/2008–17/1/2009)," Palestinian National Authority, Ministry of National Economy, 23/2/2009, <http://www.mne.gov.ps/mnmodules/epapers/gazastatics.pdf>

² See PECNDAR, *GS: Reconstruction & Development Plan* (Jerusalem: PECNDAR, September 2014), <http://www.pecdar.ps/new/userfiles/file/PECNDAR-Gaza-English-spr.pdf>

It's worth mentioning that according to the same PECNDAR report, the indirect losses due to Israeli aggression on GS in the summer of 2014 were two billion dollars.

3. The PA's Poor Development Vision: The PA has endured a lot of confusion and irregularity in devising and implementing its development and economic vision. It has not pursued development policies that promote the self-empowerment of the Palestinian people and strengthen the resilience of society, failing to provide genuine plans to split from the Israeli economy. Consumerism prevailed in many economic sectors. Meanwhile, several powerful figures have been preoccupied with the notion of “[enjoying] well-being under the occupation” rather than thinking of establishing an “economy of resistance” or an “economy of steadfastness” as a leverage to get rid of the occupation.

Alongside this problem, a large portion of the PA's budget goes to non-developmental issues, especially with regard to security, as this domain accounts for more than 40% of total salaries and wages. At the same time, security-related activities are wasted on fulfilling commitments made to Israel, including prevention of resistance action and cracking down on its political factions and advocates.

4. Financial and Administrative Corruption: The PA's institutions have suffered from widespread financial and administrative corruption; manifestations of luxury, nepotism, cronyism, and favouritism, the appointment of staff based on partisan and factional allegiance, and from disguised unemployment. Despite several reform policies that have been implemented in recent years, many of these manifestations still exist, albeit to varying degrees.

5. Political Money, and Dependence on Foreign Aid: From its founding, the PA was in an environment where it was not possible to hit the ground running, either because of the continued occupation or due to the nature of the peace process agreements, or because the PA was still young. Therefore, aid and external funding has become a major source of financing for the PA; however, this money mostly comes from Western States, which have a strong relationship with Israel and have their own vision regarding the peace process and its obligations. It is political money that relates to the agendas of these states, especially the US, Israel's closest ally. Therefore, the flow of the money was disrupted when Hamas won the elections and formed the PA government and was used to thwart and topple it. This is similar to when it was used before and after that to ensure the commitment of the Fatah governments to the peace process and the conditions of the Quartet. This money became an obstacle to Palestinian national unity. A portion of the money has also been used to meet Palestinian security commitments to Israel.

6. Limited Natural Resources: WB and GS have, relatively, limited natural resources such as oil, gas, metals, water, and forests, in addition to their relatively small areas, especially GS. This makes the prospect of economic and investment expansion challenging. Despite the fact that such resources are limited, Israel spares no effort in seizing and exploiting them, and hindering any Palestinian capability of benefiting from them.

7. Human Resources: The Palestinian people have enormous and outstanding human potential in various fields, stemming from high levels of education. If these potentials are properly taken advantage of inside and outside Palestine, they can make significant and qualitative leaps for Palestinian economic activity.

Second: Gross Domestic Product

Data on the Gross Domestic Product (GDP) of the PA in WB and GS (1994–2013) indicate that, generally, GDP is not separated from the environment and guidelines imposed by Israel since 1967, which has remained a key determinant of Palestinian economic growth. The Palestinian Central Bureau of Statistics (PCBS) data indicate that the PA's GDP rose from about \$3,081 million in 1994 to about \$7,456 million in 2013, an increase of 142% over 20 years, and an average annual increase of 4.8%. However, the fact that the economy had started from a backward point, compared to the large Palestinian potential, distorts the appearance as if the PA economy had achieved a reasonable annual increase. Israel placed the economy under poor conditions, making any prospect for an improvement very slim compared with normal conditions.

The impact of Israel's oppressive and destructive practices was clear during the *al-Aqsa Intifadah*, when GDP decreased over the period 2000–2004, registering results lower than those of 1999; the same happened in 2006, when the GDP reflected a low rate due to the Israeli and international measures taken against the PA when Hamas was in charge of it.

It should be noted that in general the GS's contribution to the GDP is disproportionate to its population size when compared to WB and less than that of the WB. This should not be surprising if we consider its extremely small area, highly density population, lack of natural resources, and the Israeli prohibition to its free usage of its sea shores. This is in addition to the harsh, crippling siege it has

undergone, especially since 2007, as well as the three destructive wars waged by Israel between 2008 and 2014. Nevertheless, GDP indicators show that the Strip's contribution to GDP between 2009 and 2013 increased from 24% to 27.1%, with GS's population accounts for about 38% of the total population of the Palestinian territories occupied in 1967 (WB and GS). The following table displays the PA's GDP figures from 1994 to 2013 at constant price:

Table 1: GDP in PA Territories 1994–2013 at Constant Prices* (\$ million)³

Year	WB	GS	PA
1994	1,981.2	1,099.5	3,080.7
1995	2,158.7	1,141.3	3,300
1996	2,191.4	1,148.7	3,340.1
1997	2,531.3	1,298.7	3,830
1998	2,911.8	1,467.2	4,379
1999	3,272	1,469.6	4,741.6
2000	3,070	1,265.9	4,335.9
2001	2,703.2	1,229	3,932.2
2002	2,306.3	1,134.8	3,441.1
2003	2,532.8	1,390.6	3,923.4
2004	2,836	1,493.2	4,329.2
2005	3,003.8	1,792.9	4,796.7
2006	3,130.7	1,478.9	4,609.6
2007	3,529.9	1,383.5	4,913.4
2008	3,947.3	1,264.8	5,212.1
2009	4,304.6	1,359	5,663.6
2010	4,609	1,513.3	6,122.3
2011	5,101.2	1,781.1	6,882.3
2012	5,409	1,905.8	7,314.8
2013**	5,435.1	2,020.5	7,455.6

Note: The PCBS data excludes those parts of Jerusalem, which were annexed by Israel in 1967.

This will be applied to all the following tables in this chapter.

* Base year 2004.

** Preliminary estimates.

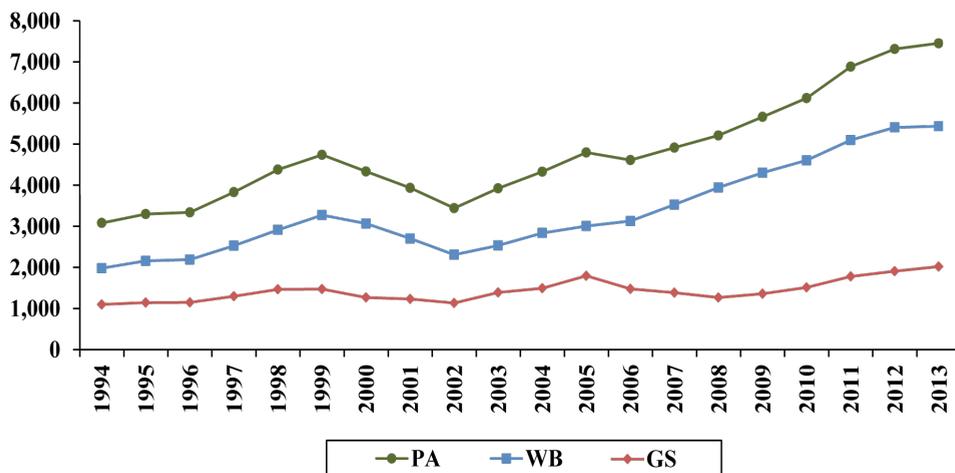
³ For Palestinian GDP 1994–2012, see PCBS, *National Accounts at Current and Constant Prices 1994–2012* (Ramallah: PCBS, September 2014),

http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2072.pdf

As for 2013, see *Press Report Preliminary Estimates of Quarterly National Accounts (Second Quarter 2014)* (Ramallah: PCBS, September 2014),

http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_NationalAccounts-Q2-2014E.pdf

GDP in PA Territories 1994–2013 at Constant Prices (\$ million)



The destructive Israeli policy towards the Palestinian economy can be clearly seen when its GDP is compared with Israel's. It exhibits a huge economic difference between the two after 27 years of occupation (1967–1994), and even 20 years since the PA was established. In other words, Israeli policies are a major obstacle to a true take-off for the Palestinian economy, and the 20-year period did not make a real difference when compared to the Israeli economy. Israeli GDP (at current prices) rose from around \$74.3 billion in 1994 to about \$290.6 billion in 2013; in comparison, the PA's GDP (at current prices) grew from about \$2.84 billion in 1994 to approximately \$12.58 billion in 2013. The Israeli GDP maintained a 23-fold lead over its Palestinian counterpart. This situation can only be traced to Israel's policy of exploitation and control of the Palestinian people and their land, and their crippling of their development, especially as the occupied territory is part of the same geographical environment (Palestinian territories occupied in 1948 and Palestinian territories occupied in 1967). The following table shows how the PA's GDP compared to its Israeli counterpart at current prices between 1994 and 2013:

Table 2: GDP in PA Territories and Israel 1994–2013
at Current Prices (\$ million)⁴

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
PA	2,843	3,283	3,410	3,760	4,068	4,271	4,314	4,004	3,556	3,968
Israel	74,251	96,156	105,290	108,389	109,819	110,685	124,144	122,279	112,848	118,595
Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
PA	4,329	4,832	4,910	5,506	6,674	7,268	8,913	10,465	11,279	12,579
Israel	126,415	133,698	145,122	166,347	201,526	194,771	233,282	258,410	257,206	290,555

* Preliminary estimates.

Third: GDP per Capita

Available indicators show that the GDP per capita in WB and GS improved between 1994–1999, increasing from \$1,438 to \$1,724, a 19.9% increase, and an average annual increase of 3.7%. However, the per capita rate declined during the *al-Aqsa Intifadah* (2000–2004), then further deteriorated when Hamas formed the tenth and eleventh governments (2006–2007), thanks to repressive Israeli measures. It only returned to its 1999 level in 2011.

Also, when comparing per capita rates in both WB and GS, statistics show a faster recovery pace in WB than in GS, as its rate returned to its 1999 level in 2009. Meanwhile, statistics show that the GS' per capita rate failed to return to its 1999 level, except for one year: 2005. Later, it even failed to return to its 1994 level.

⁴ For Palestinian GDP see Ibid.

As for Israeli GDP of 1994, see site of Central Bureau of Statistics (CBS),
<http://www.cbs.gov.il/archive/shnaton47/st06-01.gif>

For 1995–2009, CBS, <http://www.cbs.gov.il/publications13/1514/pdf/t01.pdf>

and for 2010–2013, CBS, <http://www.cbs.gov.il/publications14/yarhon1014/pdf/f1.pdf>

Note: The exchange rate of the dollar against the Israeli shekel was based on CBS data, see CBS,
<http://www.cbs.gov.il/archive/shnaton47/st09-13.gif>; and

<http://www.cbs.gov.il/publications14/yarhon1014/pdf/i9.pdf>

Despite the fact that the adjusted PCBS figures on Palestinian GDP and per capita rates, which were published in September 2014, require further clarification, it is understandable that the GS had a low per capita rate compared to WB, particularly in light of the siege and wars it had undergone since Hamas took over its administration. The following table displays the average GDP per capita in the Palestinian Authority at constant prices between 1994 and 2013:

Table 3: GDP per Capita in PA Territories 1994–2013 at Constant Prices* (\$)⁵

Year	1994	1995	1996	1997	1998	1999	2000
WB	1,494.2	1,522.9	1,461	1,602.9	1,787.6	1,948.3	1,774.3
GS	1,346.8	1,292.7	1,224.4	1,304.5	1,420.7	1,372.1	1,140.7
PA	1,438.1	1,434.6	1,369.9	1,487.5	1,645.2	1,723.9	1,526.7

Year	2001	2002	2003	2004	2005	2006	2007
WB	1,520.6	1,263.1	1,350.5	1,472	1,515.2	1,534.8	1,681.9
GS	1,072.5	959.3	1,138.8	1,184.1	1,374.5	1,096.1	991.3
PA	1,345	1,143.7	1,267	1,358.1	1,459.4	1,360.1	1,406

Year	2008	2009	2010	2011	2012	2013**
WB	1,830.5	1,943	2,025.1	2,181.5	2,251.3	2,202.2
GS	878.1	914.1	985.7	1,121.1	1,159	1,187.5
PA	1,449.1	1,529.8	1,606.4	1,752.5	1,807.5	1,788.1

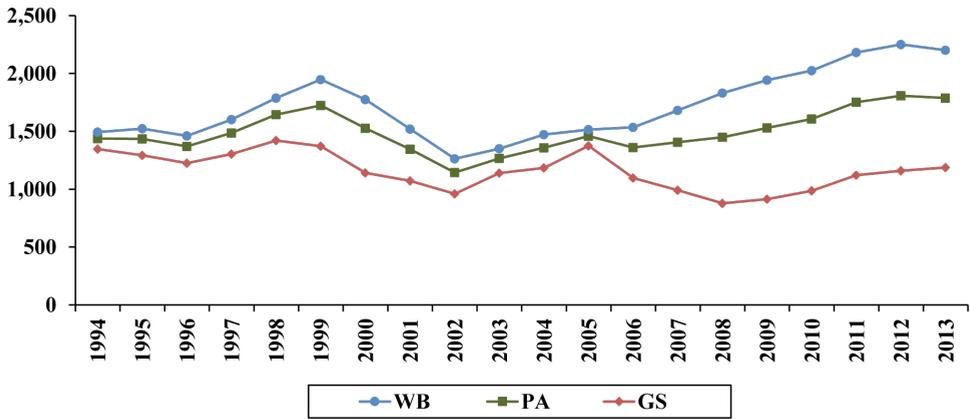
*Base year 2004.

** Preliminary estimates.

⁵ For GDP per Capita 1994–2012, see PCBS, *National Accounts at Current and Constant Prices 1994–2012*.

As for 2013, see *Press Report Preliminary Estimates of Quarterly National Accounts (Second Quarter 2014)*

PA's average GDP per capita at constant prices 1994–2013 (\$)



When comparing the GDP per capita rate in PA territories with the Israeli per capita rate, we observe a huge gap between the two rates. This lends credence to the analysis above regarding Israeli harsh policies. Statistics calculated on a current price basis indicate that the Palestinian GDP per capita was \$3,016 in 2013, compared with a \$36,067 Israeli GDP per capita, i.e., Israeli GDP was 12-fold that of its Palestinian counterpart. It should be noted that the Israeli GDP per capita rate in 1994 (when the PA was established) was 9.5 times greater than its Palestinian counterpart. In other words, the gap between the two sides has widened, and the circumstances have become less favourable for the Palestinian individual, compared with his/her Israeli counterpart. The following table shows the PA's GDP per capita in comparison with its Israeli counterpart between 1994 and 2013 at current prices:

**Table 4: GDP per Capita in PA Territories and Israel 1994–2013
at Current Prices (\$) ⁶**

Year	PA	Israel
1994	1,327	12,571
1995	1,427	17,339
1996	1,399	18,509
1997	1,460	18,576
1998	1,528	18,366
1999	1,553	18,036
2000	1,519	19,694
2001	1,369	18,938
2002	1,182	17,122
2003	1,281	17,664
2004	1,358	18,491
2005	1,470	19,206
2006	1,449	20,473
2007	1,576	23,045
2008	1,856	27,414
2009	1,963	26,032
2010	2,339	30,611
2011	2,665	33,287
2012	2,787	32,534
2013*	3,016	36,067

* Preliminary estimates.

⁶ For Palestinian GDP per Capita see Ibid.

As for Israeli GDP of 1994, see CBS, <http://www.cbs.gov.il/archive/shnaton47/st06-01.gif>; and <http://www.cbs.gov.il/archive/shnaton47/st02-01.gif>

For 1995–2009, CBS, <http://www.cbs.gov.il/publications13/1514/pdf/t01.pdf>

and for 2010–2013, CBS, <http://www.cbs.gov.il/publications14/yarhon1014/pdf/fl.pdf>

Note: The exchange rate of the dollar against the Israeli shekel was based on CBS data, see CBS,

<http://www.cbs.gov.il/archive/shnaton47/st09-13.gif>; and

<http://www.cbs.gov.il/publications14/yarhon1014/pdf/i9.pdf>

Fourth: Public Debt

Public debt is one of the major concerns burdening PA's economy. The debt increased from \$96.3 million in 1995 to \$2,376.3 million in 2013. Public debt represented about 31.9% of the 2013 GDP at constant price. Some may not consider this rate a serious indicator compared to neighbouring Arab states and many foreign states; however, the Palestinian economy, which is fragile and burdened with challenges and obstacles, must deal with its growing debt with greater caution and awareness. The PA's debt was mostly external, but over the years, its approach became more dependent on domestic sources, such as banks, the Palestinian Energy and National Resources Authority, and others, since they are managed with more favourable conditions and facilitation. Accordingly, external debt decreased from 66.4% in 2008 to 46.7% in 2013, thus domestic debt rose to 53.3% in 2013. The following table shows the progression of the Palestinian Authority's public debt between 1995–2013:

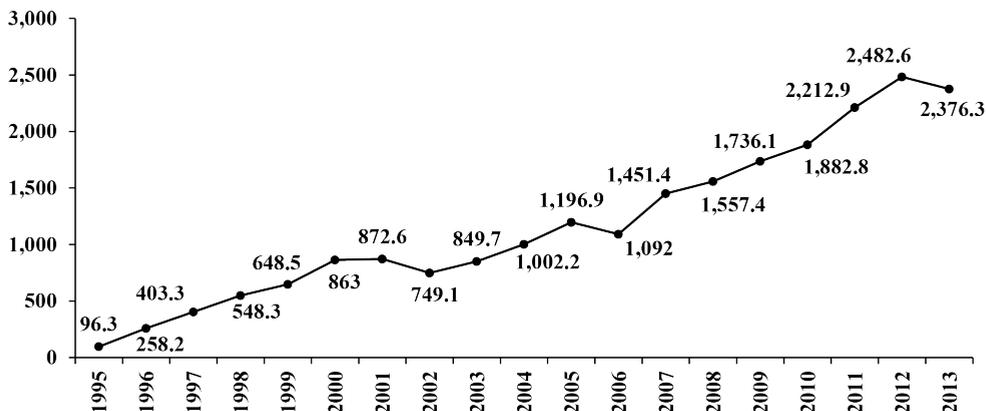
Table 5: Public Debt in PA Territories (Cash Basis) 1995–2013 (\$ million)⁷

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
External debt	–	–	–	–	–	520.1	559.7	597.2	611	611
Internal debt	–	–	–	–	–	342.8	312.9	151.9	238.7	391.2
Public debt	96.3	258.2	403.3	548.3	648.5	863	872.6	749.1	849.7	1,002.2

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
External debt	624.3	629.4	1,034.4	1,034.4	1,086.9	1,043.3	1,114.3	1,097.9	1,108.7
Internal debt	572.6	462.6	417	523.1	649.2	839.6	1,098.6	1,384.7	1,267.6
Public debt	1,196.9	1,092	1,451.4	1,557.4	1,736.1	1,882.8	2,212.9	2,482.6	2,376.3

⁷ For 1995–1999, see Palestine Monetary Authority (PMA), Main Economic Indicators, http://www.pma.ps/Portals/1/Users/002/02/2/Time%20Series%20Data%20New/Palestinian_Main_Indicators/main_indicators_palestinian_economy.xls
As for 2000–2013, PMA, External and Internal Debt on Palestinian Government, http://www.pma.ps/Portals/1/Users/002/02/2/Time%20Series%20Data%20New/Public_Finance/public_debt_for_palestinian_national_authority.xls

Public Debt in PA Territories (Cash Basis) 1995–2013 (\$ million)



Fifth: The PA's General Budget (Ramallah)

The PA's general budget has been characterized by a chronic deficit since its inception. For 20 years, the PA lived with the need for foreign aid to meet its responsibilities and offset the deficit in its budget. It was also haunted by the fear of Israeli actions, especially regarding withholding tax revenues, as well as closures, the blockade, etc.

From the outset, it seemed as if the PA was designed to live in a state of financial shortfall; instead of having the doors of activity and growth opened for it, it found itself in an Israeli prison that limited its movement and activity, controlled its exports and imports, governed its ability to act and execute tasks, and penalized it for crossing its red lines or breaking away from its tempo or its own understanding of the settlement process. In short, it was a system destined to fail. Also, from the beginning, donors were present not only to make up the “inevitable” deficit, but also to make sure the peace process was going their own way, as well as ensuring the “subjugation” of the PA in accordance with their political views.

We have no “agreed-upon” and accurate figures about the amount of support received by the PA in its early years, as the sources available to us have different accounts in this regard; however, available indicators concerning the balance of

revenue and expenditure reveal a large deficit. In 1995, public revenue amounted to \$226 million, while public expenditure reached \$715.3 million. In other words, expenditure was about 317% of revenue. In the following year (1996), public revenue amounted to \$299.7 million, while public expenditure reached \$774.1 million, that is, expenditure was 258% of revenue. In 1997, expenditure was 279% of revenue. However, the deficit gradually decreased, and revenue started to balance out expenditure between 1998 and 2000, but this failed to end the deficit challenge. Eventually, the deficit was offset through external grants and donations, and clearance revenue and taxes levied by Israel for the PA were a big boost for the PA's revenue between 1998 and 2000. This period coincided with a notable relative calm in WB and GS (until late September 2000) after the PA had managed to dismantle and strike most of the armed resistance cells. It was also concurrent with the peace process entering into talks about final-status solutions. However, with the beginning of the *al-Aqsa Intifadah*, the gap between revenue and expenditure (due to Israeli measures) widened again. The following table displays public revenue and expenditure, not counting foreign grants and aid, between 1995 and 1999:

Table 6: Fiscal Operations of the PA (Cash Basis) 1995–1999 (\$ million)⁸

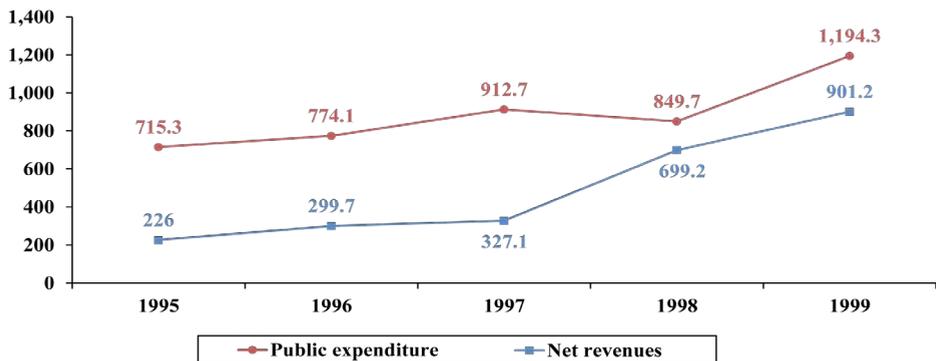
Year	1995	1996	1997	1998	1999
Total net revenues	226	299.7	327.1	699.2	901.2
Total public expenditure	715.3	774.1	912.7	849.7	1,194.3

⁸ For net revenues in 1995, see Ahmad Qubajah, *al-Istidamah al-Maliyyah li al-Sultah al-Wataniyyah al-Filastiniyyah: al-Tajrubah al-Tarikiyyah wa al-Afaq al-Mustaqbaliyyah* (Financial Stability of the Palestinian National Authority: Historical Experience and Prospects) (Jerusalem and Ramallah: Palestine Economic Policy Research Institute (MAS), 2012), p. 17, http://www.mas.ps/2012/sites/default/files/Fiscal%20Sustainability%20of%20the%20Palestinian%20PA.Ar_.pdf

As for public expenditure in 1995, see MAS and PCBS, *al-Muraqib al-Iqtisadi wa al-Ijtima'i* (Economic and Social Monitor), Ramallah, no. 1, April 2005.

As for 1996–1999, PMA, Main Economic Indicators.

Fiscal Operations of the PA (Cash Basis) 1995–1999 (\$ million)



We preferred not to include foreign aid and grants in the previous table because of conflicting figures provided by official PA sources, perhaps due to discrepancies in the way aid is classified or different data is referred to. For example, a study conducted by Nasr ‘Abdul Karim and Bassim Makhul and published by the Palestine Economic Policy Research Institute (MAS) in 2005, and based on the data of Ministry of Planning and Administrative Development and Ministry of Finance, indicates that the PA received from grants and aid an actual disbursement of \$2,029.3 million between 1994 and 1997. It also received an actual disbursement of \$1,465.9 million between 1998 and 2000, an annual rate of \$499.3 million for the period between 1994 and 2000.⁹ As for the Palestine Monetary Authority (PMA), its updated data indicates that the PA received grants and aid of \$264.9 million between 1997 and 1999.¹⁰ Earlier information published by the “Economic and Social Monitor” had indicated that the grants and aid received by the PA between 1997 and 1999 amounted to \$1,547 million.¹¹ These figures are very surprising, especially that the PMA’s updated data showed grants and assistance that did not exceed \$4.1 million in 1998,¹² while its previous data referred to grants and assistance of \$530 million in the same year.¹³

⁹ See Nasr Abdul Karim and Bassim Makhul, *Nahwa Tawzif Anja’ li al-Musa’adat al-Kharijiyyah al-Muqaddamah li al-Sha’b al-Filastini* (Towards a More Effective Use of International Aid to the Palestinian People) (Jerusalem and Ramallah: MAS, 2005), p. 53, http://www.mas.ps/2012/sites/default/files/international%20aid%20Arabic_2005.pdf

¹⁰ See PMA, Main Economic Indicators.

¹¹ See PMA, MAS and PCBS, *al-Muraqib al-Iqtisadi wa al-Ijtima’i* (Economic and Social Monitor), Ramallah, no. 23, January 2011.

¹² See PMA, Main Economic Indicators.

¹³ See PMA, MAS and PCBS, *al-Muraqib al-Iqtisadi wa al-Ijtima’i* (Economic and Social Monitor), Ramallah, no. 23.

A study published by the Economic Journal issued in June 2001 by the Royal Economic Society presented a table that included data on donor support between 1994 and 2000 with a total of \$4,223 million, including revenue for development plans worth \$3,204 million for the same period. The authors of the report mentioned that they had based their input on data from the Palestinian Ministry of Planning and International Cooperation.¹⁴

In any case, net revenue, grants, and aid increased from \$1,449 million in 2000 to \$3,677.9 million in 2013, an increase of 154%, whereas public expenditure increased from \$1,668 million in 2000 to \$3,419.1 million in 2013, an increase of 105%. However, what appeared to be an improvement in the budget was in fact contingent upon foreign aid and grants, which, despite their considerable role, had not been sufficient to offset the deficit in the budget. Consequently, those years ended with a negative total balance. The following table shows the PA's finances between 2000 and 2013:

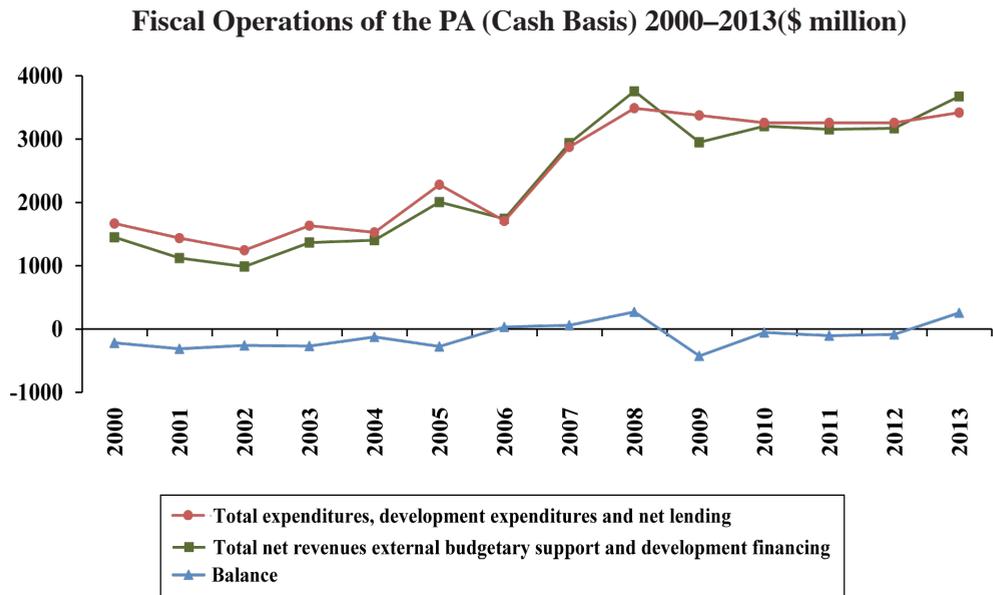
Table 7: Fiscal Operations of the PA (Cash Basis) 2000–2013 (\$ million)¹⁵

Year	2000	2001	2002	2003	2004	2005	2006
Total net revenues external budgetary support and development financing	1,449	1,122	987	1,367	1,403	2,006	1,741
Total expenditures, development expenditures and net lending	1,668	1,435	1,246	1,635	1,528	2,281	1,707
Balance	-219	-313	-259	-268	-125	-275	+34

Year	2007	2008	2009	2010	2011	2012	2013
Total net revenues external budgetary support and development financing	2,938	3,757.8	2,950.4	3,204.7	3,153.6	3,172.3	3,677.9
Total expenditures, development expenditures and net lending	2,877	3,487.7	3,375.9	3,258.3	3,256.8	3,258.2	3,419.1
Balance	+61	+270.1	-425.5	-53.6	-103.3	-85.9	+258.7

¹⁴ See Stanley Fischer, Patricia Alonso-Gamo and Ulric Erickson Von Allmen, "Economic Developments in the West Bank and Gaza Since Oslo," *The Economic Journal*, Royal Economic Society, vol. 111, issue 472, June 2001, p. 256.

¹⁵ See PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis), http://www.pma.ps/Portals/1/Users/002/02/2/Time%20Series%20Data%20New/Public_Finance/revenues_expenditures_and%20financing_sources_of_pna_fiscal_operations_00-12.xls



In 2000–2013, the fragility of the PA’s economy was clear when Israeli sanctions and measures were imposed and gave rise to the urgent need for foreign aid. This was particularly evident during *al-Aqsa Intifadah*, and when Hamas led the PA government. It was also clear each time the PA had to make up for Israel’s denial of clearance revenue with greater reliance on aid. In both cases, domestic revenue was less than one-quarter of public revenue, i.e., clearance revenue collected by Israel and aid continued to account for more than 75% of the PA’s revenue.

Domestic revenues collected directly by the PA reached a record low in 2007, when rates reached just 11% of total revenues and external budgetary support (before subtracting tax refunds, which amounted to 0.9%); while clearance revenues, which Israel collects and delivers to the PA, reached 44.9% of total revenue and grants. Grants and external budgetary support covered 45%. It was notable that year that there was a dramatic upturn in clearance revenue handed by Israel to the PA. According to official figures, clearance revenue decreased by 61.5% in the year when Hamas led the government (2006) from the previous year (\$344 million in 2006, compared to \$894 million in 2005). When Fatah seized power in Ramallah in the middle of 2007, clearance revenue payments received by the Salam Fayyad government rose to \$1,318 million in 2007, an increase of

283.1%.¹⁶ Revenue from grants and external budgetary support went up from \$1,019 million in 2006 to \$1,322 million in 2007, an increase of 29.7%. This reflects the challenge of “political money” being used as a steering instrument and tool for applying pressure by Israel and donor states.

Depriving Palestinians of clearance revenue was used as a weapon in the years of the *Intifadah*. The PA did not receive anything in 2001 (a cut of 100%), and then it received a small amount (\$72 million), which was perhaps no more than 10–15% of its receivables. Afterwards, the percentage improved after the PA adopted the “reform” conditions imposed upon it in 2003, including reducing the powers of President Yasir ‘Arafat, and establishing the post of Prime Minister, among others.

Generally, clearance revenue accounted for two-thirds of the PA’s net revenue, excluding external budgetary support, which maintained an upward trend, especially in the last three years on which there is available data, i.e., 2011, 2012, and 2013, with their rates being 68.4%, 70.3%, and 72.9% respectively. The highest percentage clearance revenue represented of net revenue was in 2007 when it hit 81.6%.

The grants and external budgetary support constituted a considerable proportion of the PA’s total revenue for 20 years starting from its establishment. Between 2000 and 2013, they exceeded the clearance revenue that had been collected over eight years out of 14 and covered the huge budget deficit resulting from Israel’s failure to partially or completely pay clearance money during the *Intifadah* years from 2001 to 2003, and in 2006 when Hamas led the tenth government. Between 2000 and 2013, grants and external budgetary support given to the PA, according to PMA statistics, reached \$13,930.5 million. Clearance revenue for the same period amounted to \$12,638.5 million, while domestic revenue levied directly by the PA during the same period amounted to \$7,013.8 million. If all revenues, which amounted to \$33,582.8 million, are added up together (total revenue including external revenue) for the period between 2000 and 2013, the ratio of domestic revenue to the rest of revenues would only be 20.9%, an annual rate of \$501 million; noting that domestic revenue collection process improved dramatically between 2008 and 2013 from the preceding period. Similarly, the ratio of revenue from

¹⁶ The Ministry of Finance sources stated at that time (Before updating numbers later) that the PA received only \$68.7 million of clearance revenues at the beginning of 2006, and that Israeli authorities stopped transferring the clearance revenue during 2006 while Hamas was heading the government. Thus, the rest of the \$344 million of the 2006 clearance revenue may have been paid to the PA after the formation of Fayyad government. This means that the 2006 Hamas government suffered financially much more than the PA official numbers show.

grants and external budgetary support to the rest of revenues would be 41.5%, an annual rate of \$995 million. The ratio of clearance revenue to the rest of revenues would be 37.6%, an annual rate of \$903 million. In short, this means that 79.1% of the PA's total revenue between 2000 and 2013 was contingent upon, or linked to, Israel or donor States. The following table displays the PA's net revenue, grants and external budgetary support between 2000 and 2013:

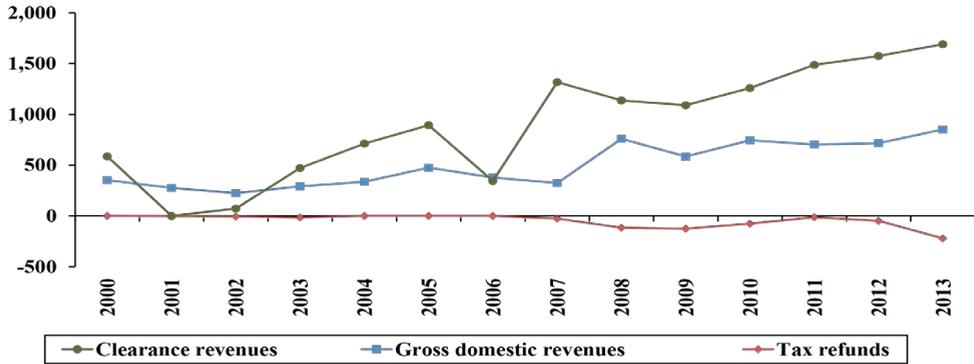
Table 8: PA Revenues, External Budgetary Support and Development Financing (cash basis) 2000–2013 (\$ million)¹⁷

Year	2000	2001	2002	2003	2004	2005	2006
Gross domestic revenues	352	275	223	291	337	476	378
– Tax	241	183	141	167	191	231	221
– Non-tax	111	92	82	124	146	245	157
Clearance revenues	587	0	72	472	713	894	344
Total revenues	939	275	295	763	1,050	1,370	722
Tax refunds (–)	0	–2	–5	–16	0	0	0
Total net revenues	939	273	290	747	1,050	1,370	722
External budgetary support and development financing	510	849	697	620	353	636	1,019
Total net revenues, external budgetary support and development financing (after deduction of tax refunds)	1,449	1,122	987	1,367	1,403	2,006	1,741

Year	2007	2008	2009	2010	2011	2012	2013
Gross domestic revenues	324	759	585.1	744.8	702.1	715.3	851.5
– Tax	202	272.8	301.5	474.3	482.1	483.2	597.2
– Non-tax	122	486.2	283.6	270.5	220	232.1	254.4
Clearance revenues	1,318	1,137	1,090	1,259.2	1,487.4	1,574.4	1,690.5
Total revenues	1,642	1,896	1,675.1	2,004	2,189.6	2,289.7	2,542
Tax refunds (–)	–26	–116.3	–126.5	–76.3	–13.5	–49.6	–222.1
Total net revenues	1,616	1,779.7	1,548.6	1,927.7	2,176.1	2,240.1	2,319.9
External budgetary support and development financing	1,322	1,978.1	1,401.8	1,277	977.5	932.1	1,358
Total net revenues, external budgetary support and development financing (after deduction of tax refunds)	2,938	3,757.8	2,950.4	3,204.7	3,153.6	3,172.3	3,677.9

¹⁷ See PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis).

PA Revenues, External Budgetary Support and Development Financing
(cash basis) 2000–2013 (\$ million)



The PA's public expenditure rose from \$700 million in 1995 to about \$3,420 million in 2013, an almost five-fold increase. A report by the Civil Society Team for Public Budget Transparency on the PA's fiscal policy, published in April 2012, (the report's main topics were corroborated by other reports and studies) pointed out that the PA suffered, especially at the beginning, from the problematic transition from revolution to power. The PLO's factions and staff controlled the PA's operations and institutions, transferring many of the secrecy-based, transparency-lacking patterns of behaviour associated with the revolution to the emerging new authority. This undermined the PLO's capacity to exercise control and opened the door to financial and administrative corruption. Furthermore, the PA's leadership persisted in establishing agencies, without making an in-depth study of their feasibility, until they numbered more than 50. They were established in various forms, with different functions, and under numerous decrees and resolutions. This led to instances of chaos, conflicting or overlapping functions, poor transparency, over-staffing, and misappropriation of public funds.¹⁸

¹⁸ Civil Society Team for Public Budget Transparency-Palestine, *Ru'yat al-Fariq al-Ahli li Da'm Shafafiyat al-Muwazanah Hawla "al-Siyasah al-Maliyyah li al-Sultah al-Filastiniyyah fi al-Marhalah al-Qadimah"* (The Vision of the Civil Society Team to Support General Budget Transparency for the "Palestinian National Authority Financial Policy in the Coming Phase") (Ramallah: Aman, April 2012), pp. 4–5, <http://www.aman-palestine.org/data/itemfiles/3c9bcdf7f72c04b3ab9503bed832dd39.pdf>

Overall, the PA inherited 22 thousand employees from the Israeli authorities in 1994,¹⁹ however, this number expanded to about 175 thousand in 2013, an increase of about 700%,²⁰ despite the fact that the number of Palestinians in WB and GS did not increase beyond 125% between 1993 and 2013. This demonstrated overemployment and fragility in the employment system, and how public posts were used for undeserved appropriation and disguised unemployment. The PA's government agencies had other problems such as:

- Deficiencies in administrative and staffing structures.
- Staff incompetence.
- Spread of deception, nepotism, bribery, and abuse of power and position.
- Use of employment as a tool to buy factional or organizational loyalty.
- Emergence of the “ghost worker” phenomenon, as part of the administrative, financial, political, and security corruption. Estimates indicated that around 15–17 thousand “ghost workers” got paid without doing their jobs. This might have cost the overstretched Palestinian treasury about \$126–\$143 million a year.
- Spending a large proportion of the budget on security.²¹

The following table shows the PA's current and development expenditure and net lending between 2000 and 2013:

Table 9: PA Expenditure (Cash Basis) 2000–2013 (\$ million)²²

Year	2000	2001	2002	2003	2004	2005	2006
Wage expenditures	622	678	642	743	870	1,001	658
Non-wage expenditures	577	417	352	324	501	649	392
Net lending	0	0	0	173	157	344	376
Total expenditures and net lending	1,199	1,095	994	1,240	1,528	1,994	1,426
Development expenditures	469	340	252	395	0	287	281
Total and development expenditures and net lending	1,668	1,435	1,246	1,635	1,528	2,281	1,707

¹⁹ Ibid., p.5.

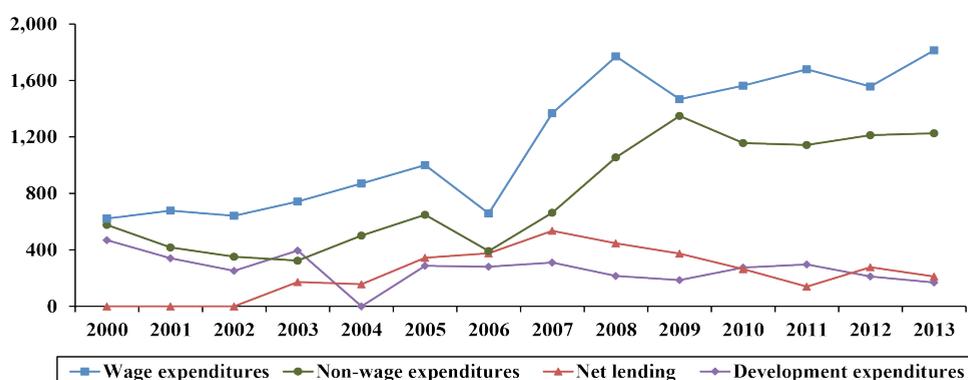
²⁰ See *al-Hayat al-Jadida*, 8/10/2014, <http://www.alhayat-j.com/newsite/details.php?opt=7&id=245329&cid=3439>

²¹ Civil Society Team for Public Budget Transparency-Palestine, *Ru'yat al-Fariq al-Ahli*, pp. 4–6.

²² See PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis).

Table 9 (continued)

Year	2007	2008	2009	2010	2011	2012	2013
Wage expenditures	1,369	1,770.8	1,467	1,563.6	1,679	1,557.7	1,813.8
Non-wage expenditures	663	1,055	1,349	1,156.1	1,142.7	1,212.2	1,225.7
Net lending	535	446.9	374	263.5	139	277.2	211.2
Total expenditures and net lending	2,567	3,272.7	3,190	2,983.2	2,960.6	3,047.1	3,250.7
Development expenditures	310	215	185.9	275.1	296.2	211	168.4
Total and development expenditures and net lending	2,877	3,487.7	3,375.9	3,258.3	3,256.8	3,258.2	3,419.1

PA Expenditure (Cash Basis) 2000–2013 (\$ million)

Wages and salaries are a huge burden on PA, accounting for a very high proportion of its expenditure. Between 1996 and 2013, salaries expenditure constituted between 46.1% and 63.3% of current expenditure, as recorded by a study by the Civil Society Team for Public Budget Transparency, with an average annual rate of approximately 54%.²³ PMA statistics indicate that expenditure on salaries ranged between 51.9% and 69.6% of current expenditure between 1996 and 2013, an average annual rate of approximately 58%.²⁴ In both cases, salaries amounted to more than half of current expenditure.

²³ Civil Society Team for Public Budget Transparency-Palestine, *Ru'yat al-Fariq al-Ahli*, p. 6.

²⁴ See PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis) and see PMA, Main Economic Indicators.

Most striking was the large number of security personnel and their salaries, constituting around 45% of total PA staff, in the period on which we have available statistics (1995–2011). This percentage can rarely be matched in any country around the world, as the ratio of security personnel to Palestinian citizens is 1:50 in WB and GS. This high number reflects Fatah’s desire to include its former fighters and supporters in these forces and provide them with a source of income. It also mirrors the functional role played by the PA to establish security and honour its commitments to Israel. Meanwhile, the salaries of employees of the security forces use up an average of 40% of the PA’s payroll, one of the highest in the world. In 2009, there were 77,500 military personnel, 45.9% of total PA employees. Although their number declined to 64,700 in 2011, compared with 88,300 civil servants, they remained 42.3% of PA staff. Nevertheless, the 2010 corruption report indicated that the real number of security forces was not clear, and that obtaining information about them and their budget was difficult.²⁵ The following table shows the numbers of PA civil servants and military personnel employed between 1995 and 2011:

Table 10: PA Public Sector Employees-Selected Years (thousands)²⁶

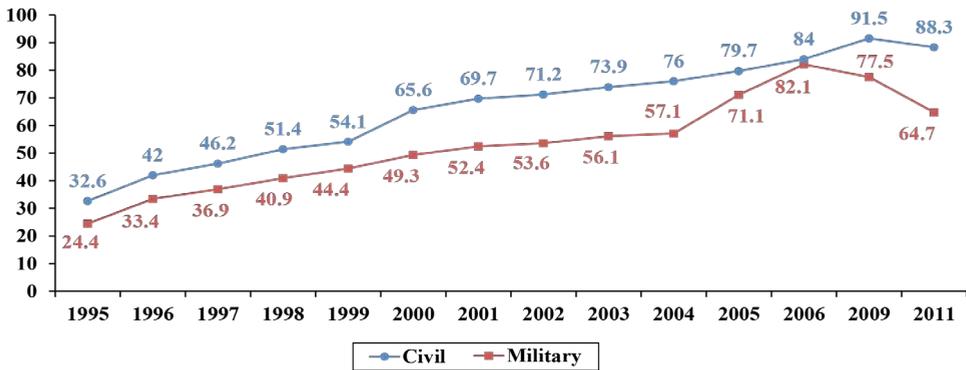
Year	1995	1996	1997	1998	1999	2000	2001
Civil	32.6	42	46.2	51.4	54.1	65.6	69.7
Military	24.4	33.4	36.9	40.9	44.4	49.3	52.4
Total	57	75.4	83.1	92.3	98.5	114.9	122.1

Year	2002	2003	2004	2005	2006	2009	2011
Civil	71.2	73.9	76	79.7	84	91.5	88.3
Military	53.6	56.1	57.1	71.1	82.1	77.5	64.7
Total	124.8	130	133.1	150.8	166.1	169	153

²⁵ Civil Society Team for Public Budget Transparency-Palestine, *Ru'yat al-Fariq al-Ahli*, pp. 5–6; and see Ahmad Qubajah, *al-Istidamah al-Maliyyah*, p. 66.

²⁶ Civil Society Team for Public Budget Transparency-Palestine, *Ru'yat al-Fariq al-Ahli*, p. 5; and see Ahmad Qubajah, *al-Istidamah al-Maliyyah*, p. 66.

PA Public Sector Employees-Selected Years (thousands)



It should be noted that the cost of security in PA territories was 32% of total public expenditure in 2009, compared with 19.6% in Jordan, 14% in Lebanon, 15.3% in Israel, and 4.5% in Germany.²⁷

On a different note, the divided state of Palestine led to a serious challenge in the way the PA incurred expenses. It demanded that large numbers of staff in GS stay in their homes as a condition for receiving their salaries. This was to confront the Hamas-led government's control over the GS since the summer of 2007.

According to a study conducted by the Palestinian Economic Council for Development and Reconstruction (PECDAR) in 2008, the number of PA employees in the GS was 77 thousand, including 31,350 military personnel and 45,650 civil servants, and the number of those allowed to continue carrying out their jobs was 17,750, mainly in the Ministries of Education and Health; these represented 23% of the PA's total employees in the GS. According to the study, 43,250 employees received their salaries and wages without doing their jobs, according to the 2007 statistics. Therefore, the PA was paying \$368 million in salaries each year, with very little in return.²⁸

²⁷ See Ahmad Qubajah, *al-Istidamah al-Maliyyah*, p. 73; and see also Military Expenditure (% of Central Government Expenditure), The World Bank, <https://data.worldbank.org/indicator/MS.MIL.XPND.ZS?end=2017&start=1988&view=chart>

²⁸ See PECDAR, *The Assessment of Economic Losses Due to Employees Who Stopped Working in Gaza Strip*, 18/8/2008.

Note: PECDAR's study indicated that the number of employees in GS was 78 thousand, however, when it detailed the statistics the sum became 77 thousand, hence those whom PA gave permit to continue their work constituted 23% rather than 22.7%. The same study indicated that around 43,250 employees receive their salaries without working, 56.2% of total employees, but it didn't clarify what happened to the remaining 16 thousand employees, constituting 20.8%.

The PA has remained committed to paying the salaries of those abstaining from carrying out their jobs up to the time of writing (2014), while Hamas has been forced to fill vacancies with new staff, with their number increasing to more than 40 thousand in 2014. When the Palestinian Consensus Government was formed in early June 2014, an odd situation arose. The PA leadership insisted on continuing to pay salaries to those who had been out of work over the past period, while refusing to pay salaries to the employees who had been and were still addressing Gaza's civil and security affairs. These had been appointed by the caretaker government in the GS. This remains one of the issues that is yet to be resolved at the time of publishing this book.

Sixth: The General Budget of the Caretaker Government (Gaza Strip)

The 2007 Palestinian split created an odd situation. The Arab and international administrations dealt with the Salam Fayyad government—appointed by the PA president—as a legitimate government, while the PLC-backed Isma'il Haniyyah government, which was able to continue carrying out its duties in GS, faced an Israeli blockade, as well as large-scale Arab and international isolation. As a result, international aid and grants found their way to Ramallah, while the GS government managed to survive through austerity programs, and through what is known as the “tunnel economy” on the border with Egypt, in addition to support provided by sympathetic governments such as Iran, Qatar, and Turkey.

Managing the GS was a big challenge for the Haniyyah government; as in addition to Gaza's small area, high population density, and limited natural resources, coupled with the suffocating Israeli blockade and limited aid compared to the PA government in Ramallah, it had to face devastating Israeli wars and continued acts of aggression which severely damaged infrastructure and the potential for growth. Nevertheless, the GDP per capita in the GS (according to PCBS) increased by 35.2% in 2008–2013. In addition, the GS's contribution to the PA's GDP in WB and GS rose in the same period from 24.3% to 27.1%. It must be noted that the PA received foreign aid and grants worth \$7,924.5 million during the same period, and that there were about 100 thousand WB workers in Israel and Israeli

settlements. As for GS, despite all forms of suffering and siege, it was able to achieve 97% self-sufficiency in vegetables, and was almost self-sufficient in fruit with 80% of needs met.²⁹

The budget of the caretaker government in the GS shows that it relied heavily on foreign aid. In 2010, aid was 64.3% of total revenue, but it decreased to 22.7% in 2012; then the rate of aid rose again in 2013, to 34.2%. The Haniyyah government continued to suffer from a chronic budget deficit. For example, the deficit reached 55.7% of total revenue in 2012. The following table displays the fiscal operations of the caretaker government in GS between 2010 and 2013:

**Table 11: Fiscal Operations of the Caretaker Government
in GS 2010–2013 (\$ million)³⁰**

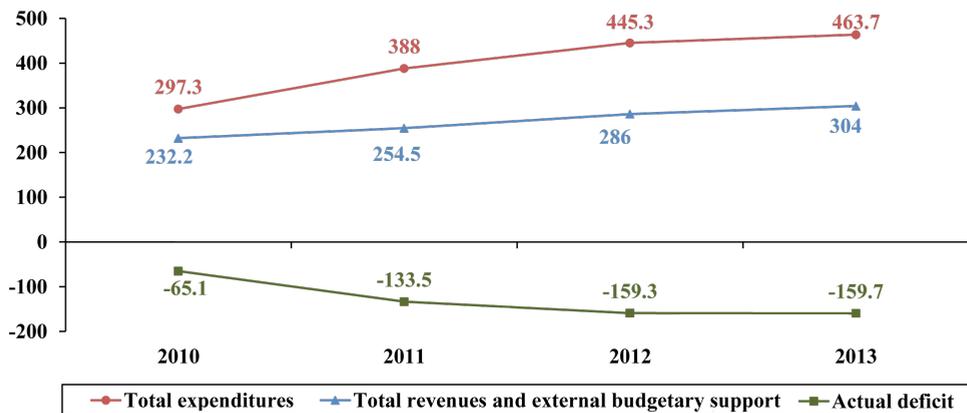
Year	2010	2011	2012	2013
Total revenues and external budgetary support	232.2	254.5	286	304
– Domestic revenues	83	187.5	221	200
– External budgetary support	149.2	67	65	104
Total expenditures	297.3	388	445.3	463.7
– Wage expenditures	228.7	297.5	340	365
– Operational expenditures	21.6	24.5	40	40
– Transfers	45.2	53.4	60	51
– Capital and development expenditures	1.8	9	5.3	7.7
– Expenditures from former years	–	3.6	–	–
Actual deficit	–65.1	–133.5	–159.3	–159.7

²⁹ *Al-Quds al-Arabi*, 22/4/2014.

³⁰ See “The Legislative Council Approves General Budget Bill of Fiscal Year 2011,” 31/3/2011; and see “The Legislative Council Approves General Budget Bill of Fiscal Year 2012,” *al-Barlaman*, 5/4/2012, http://www.plc.gov.ps/img/Magazine/pdf_file/ea0af971-5f3b-46ad-8de9-aa6ac4371242.pdf; and see “The Legislative Council Approves General Budget Bill of Fiscal Year 2013,” *al-Barlaman*, 10/1/2013, http://www.plc.gov.ps/img/Magazine/pdf_file/cabf1cbf-e821-4086-b0f2-6463860579d1.pdf

Also see “The Legislative Council Approves General Budget Bill of Fiscal Year 2014,” *al-Barlaman*, 2/1/2014, http://www.plc.gov.ps/img/Magazine/pdf_file/cb62d9e3-a5cf-4eab-a6bf-6d107fbcaec.pdf

Fiscal Operations of the Caretaker Government in GS 2010–2013 (\$ million)



Seventh: Employment, Unemployment, and Poverty

The labour force (including those already employed; unemployed and willing to work; and seeking employment) in PA territories (WB and GS) reached 513 thousand in 1995, out of which 358 thousand worked in WB. Then, it increased to 1.155 million in 2013 (125.1% increase), out of which 759 thousand worked in WB. However, and although the WB labour force in that period increased by 112%, its percentage to the total labour force went down from 69.8% to 65.7%. In GS, the labour force reached 155 thousand in 1995 and increased to 396 thousand in 2013 (155.5% increase). Hence, and counter to what happened in WB, its percentage to the total labour force increased from 30.2% to 34.3%. This indicates that the higher rate of population growth in GS was reflected in the increase in the labour force size. This placed a greater burden on employment and unemployment in the GS, which was already burdened with its small area, limited resources, and Israeli siege and wars.

The fact that 20 years has passed since the PA was established had no impact on solving the unemployment problem and absorbing the growing number of young people entering the labour market. In fact, the overall indicator shows a negative general impression, where unemployment in PA territories was 18.2% in 1995, while in 2013 it hit 23.4%. Throughout the 19 years covered by statistics (1995–2013), it did not improve beyond its initial level except for three years (1998–2000). The same applies to WB if taken alone. In GS, unemployment decreased from its initial level in only five years: 1997–2000, and 2003.

Indicators show that unemployment in PA territories hit a record high of 31.2% in 2002, and was lowest in 1999, dropping to 11.8%. The same was the case for WB, where it peaked in 2002, hitting 28.2%, and was lowest in 1999, at 9.5%. As for GS, the highest rate was in 2008, reaching 40.6%, and lowest in 1999 dropping to 16.9%. It appears that the severest impact on employment in WB was during *al-Aqsa Intifadah*; while the most adverse effect on the GS resulted from Israel's suffocating siege and destructive war especially during the the 2008/2009 war. This was in addition to its acute suffering during *al-Aqsa Intifadah*. Hence, Israeli practices, sanctions, and wars play a fundamental role in the problem of Palestinian unemployment.

Israel benefits from a section of the Palestinian labour force, taking advantage of misery, poverty, and unemployment that it has itself caused. At the same time, Palestinians employed in Israel find an opportunity to alleviate the pain of unemployment, and take advantage of differences in living standards to get a better income. For Israel, it is a cheaper labour force, and in most cases, Israeli employers do not abide by workers' rights. Work is often done in the form of day labour, and workers are dismissed whenever employers deem appropriate, receiving no fees, end-of-service benefits, or treatment for workplace accidents. Moreover, they are paid far less than their Israeli counterparts.

In 1995, there were 67,600 Palestinian workers employed by Israel, accounting for 16.2% of total employed, and in 1999 it hit a record of 134,700, constituting 22.9%. The *Intifadah* rapidly lowered the numbers to reach a record low of 42 thousand in 2002, which was 9.3% of total employed. However, the lowest percentage was in 2004 when it was 8%, although the total number was 44 thousand, slightly higher than in 2002. In general, *al-Aqsa Intifadah* reduced the number of Palestinian workers employed by Israel, and this was perhaps an opportunity to break away, at least partially, from the Israeli economy. However, in practice, it placed fresh burdens on the PA, which was forced to employ thousands of workers in its ministries and institutions while its suffering was already exacerbated by the systematic destruction of its economy and infrastructure during the *Intifadah*, and by Israel's failure to transfer most of the tax revenue it collected on behalf of the PA. The employment also caused further fragility and disguised unemployment in the organs of the PA.

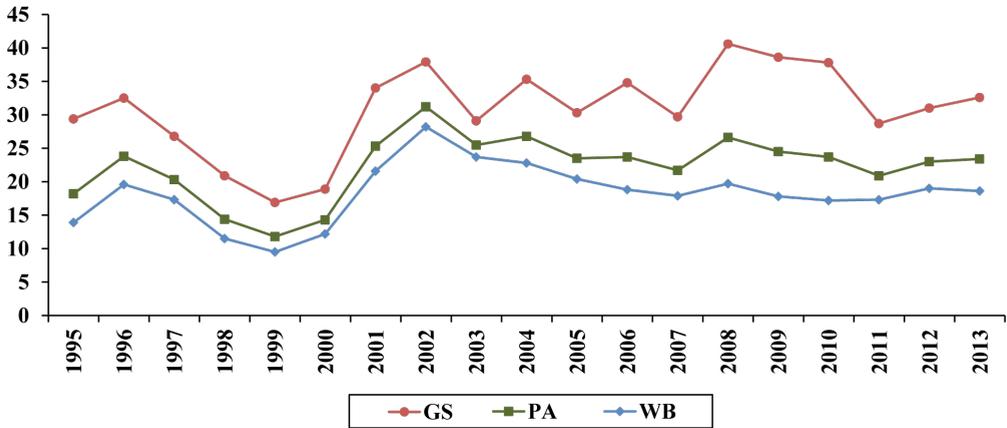
Table 12 shows the size of the workforce in the PA territories as well as unemployment rates between 1995 and 2013:

Table 12: Distribution of Palestinians Aged 15 Years and Over in WB and GS by Labour Force and Unemployment 1995–2013 (thousands)³¹

Year	WB			GS			PA		
	Labour Force	Full employment & Under-employment	Un-employment (%)	Labour Force	Full employment & Under-employment	Un-employment (%)	Labour Force	Full employment & Under-employment	Un-employment (%)
1995	358	308	13.9	155	109	29.4	513	417	18.2
1996	392	315	19.6	169	114	32.5	561	429	23.8
1997	426	352	17.3	176	129	26.8	602	481	20.3
1998	452	400	11.5	188	149	20.9	640	549	14.4
1999	462	418	9.5	205	170	16.9	667	588	11.8
2000	460	404	12.2	207	168	18.9	667	572	14.3
2001	450	353	21.6	192	127	34	642	480	25.3
2002	450	323	28.2	207	129	37.9	657	452	31.2
2003	487	371	23.7	235	166	29.1	722	537	25.5
2004	513	396	22.8	239	155	35.3	752	551	26.8
2005	538	428	20.4	251	175	30.3	789	603	23.5
2006	575	467	18.8	259	169	34.8	834	636	23.7
2007	596	489	17.9	286	201	29.7	882	690	21.7
2008	609	489	19.7	299	178	40.6	908	667	26.6
2009	643	529	17.8	308	189	38.6	951	718	24.5
2010	665	551	17.2	311	193	37.8	976	744	23.7
2011	718	594	17.3	341	243	28.7	1,059	837	20.9
2012	743	602	19	371	256	31	1,114	858	23
2013	759	618	18.6	396	267	32.6	1,155	885	23.4

³¹ PCBS, *Labour Force Survey: Annual Report 2012* (Ramallah: PCBS, April 2013), http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1972.pdf; and see PCBS, *Labour Force Survey: Annual Report 2013* (Ramallah: PCBS, April 2014), http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/Book2049.pdf

Unemployment Rate of Palestinians Aged 15 Years and over in WB and GS 1995–2013 (%)



It should be noted that most of the workers employed by Israel come from WB, and over a span of 19 years (1995–2013) their annual average was 69 thousand. Workers from the GS “benefited” much less from the Israeli labour market, especially in the period prior to *al-Aqsa Intifadah*. Their engagement rapidly declined until it was completely ceased in early 2006. The annual average number of workers coming from GS during 1995–2013 was about 5,900. This means that the GS’s average contribution to Israel-based employment was only 7.9% compared with 92.1% from WB.

In other words, we should be cautious when we talk about a better work environment in WB or about how the PA in Ramallah succeeded in addressing unemployment, unlike the Authority in GS. If Israel-based employment rates were disregarded in both areas, it would be clear that the two sides have an almost equal unemployment rate, although there are more difficult circumstances and environment in the GS. This analysis puts aside the extremely adverse impact of the Palestinian workers’ contribution to building the Israeli economy on the Palestinians themselves, including the contribution of some to the construction of Israeli settlements in WB, under the very nose of the PA. The following table displays the number of Palestinian workers employed by Israel between 1995 and 2013:

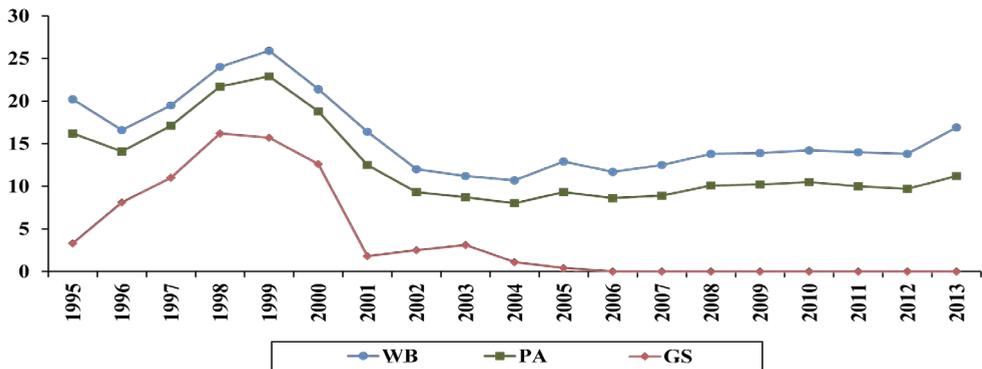
Table 13: Palestinian Workers in Israel and the Settlements 1995–2013
(thousands)³²

Year	WB		GS		PA	
	Thousand	%	Thousand	%	Thousand	%
1995	62.2	20.2	3.6	3.3	67.6	16.2
1996	52.3	16.6	9.2	8.1	60.5	14.1
1997	68.6	19.5	14.2	11	82.3	17.1
1998	96	24	24.1	16.2	119.1	21.7
1999	108.3	25.9	26.7	15.7	134.7	22.9
2000	86.5	21.4	21.2	12.6	107.5	18.8
2001	57.9	16.4	2.3	1.8	60	12.5
2002	38.8	12	3.2	2.5	42	9.3
2003	41.6	11.2	5.1	3.1	46.7	8.7
2004	42.4	10.7	1.7	1.1	44.1	8
2005	55.2	12.9	0.7	0.4	56.1	9.3
2006	54.6	11.7	0	0	54.7	8.6
2007	61.1	12.5	0	0	61.4	8.9
2008	67.5	13.8	0	0	67.4	10.1
2009	73.5	13.9	0	0	73.2	10.2
2010	78.2	14.2	0	0	78.1	10.5
2011	83.2	14	0	0	83.7	10
2012	83.1	13.8	0	0	83.2	9.7
2013	99.5	16.9	0	0	99.1	11.2

Note: The number of workers in Israel and the settlements was calculated according to percentages provided by PCBS.

³² Ibid.

Palestinian Workers in Israel and the Settlements 1995–2013 (%)



Poverty

Available indicators show little improvement in addressing poverty in PA territories. This has been reflected in other data related to GDP, GDP per capita, and unemployment rates. Statistics show that the proportion of the population below national poverty line in WB and GS was 23.6% in 1996, and deteriorated further to reach 34.5% in 2007 in the aftermath of repressive Israeli actions to face *al-Aqsa Intifadah*, and its subsequent measures of siege, in an attempt to overthrow and thwart the Hamas-led government.³³

It should be noted that the proportion of population below the national poverty line in WB declined in the early years of the PA rule, dropping from 16.2% in 1996 to 14.5% in 1998. In GS, which was already poverty-stricken, the percentage also declined for the same period, dropping from 41.9% to 33%. However, the situation worsened in subsequent years, with the 2007 poverty rate reaching 23.6% in WB and 55.7% in GS.³⁴

The method for calculating poverty rates was modified in the following years, and calculations were made at the individual level rather than the household level. Still, the rate of poverty remained high, reaching 25.8% in PA territories in 2011, with 17.8% in WB and 38.8% in GS.

³³ PCBS, MDGs Indicators in Palestine, 1994–2012, 13/1/2015, http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/MDGsPal_2014_English.pdf

³⁴ Ibid.

It is worth mentioning that other reports have recorded significantly higher poverty rates, especially in GS. This may be due to the different methods of calculation. The findings of the Palestinian Expenditure and Consumption Survey 2007 revealed that the poverty rate among Palestinian households according to income patterns was 57.3%; in WB 47.2% and 76.9% in GS.³⁵ Other reports have indicated varying rates of poverty in GS in 2009, ranging from 80% to 90%.³⁶

Eighth: Industrial and Agricultural GDPs

Industrial GDP (mining, manufacturing, electricity and water) was stagnant over the course of 20 years of PA rule, where Israel was the main obstacle to industrial growth and development. This was evident from the Israeli practices that hindered industrial growth during the *Intifadah* and when Hamas led the government, destroying infrastructure and industrial facilities, as well as controlling licensing, marketing, and provision of means of production, among others. The following table shows the evolution of industrial GDP from 1994 to 2013:

**Table 14: Industrial GDP in PA Territories 1994–2013
at Constant Prices* (\$ million)³⁷**

Year	1994	1995	1996	1997	1998	1999	2000
Industrial GDP	705.9	702.8	592.1	607.5	671.5	659.3	591.5
Average annual growth or deterioration (%)	–	–0.4	–15.8	+2.6	+10.5	–1.8	–10.3

³⁵ PCBS, Press Release: On the Occasion of “International Day of the Child,” 20/11/2009, http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/child_int_day_E.pdf

³⁶ See *Al-Khaleej*, 25/2/2009; Wafa, 17/9/2009; and see UNISPAL, 9/9/2009, <http://unispal.un.org/UNISPAL.NSF/0/F04E5003379702F88525762C006A1233>; Mohsen Mohammad Saleh, *PSR 2007*, p. 399; and Mohsen Mohammad Saleh (ed.), *The Palestinian Strategic Report 2008* (Beirut: Al-Zaytouna Centre for Studies and Consultations, 2010), p. 363.

³⁷ For GDP per Capita 1994–2012, see PCBS, *National Accounts at Current and Constant Prices 1994–2012*. As for 2013, see *Press Report Preliminary Estimates of Quarterly National Accounts (Second Quarter 2014)*.

Table 14 (continued)

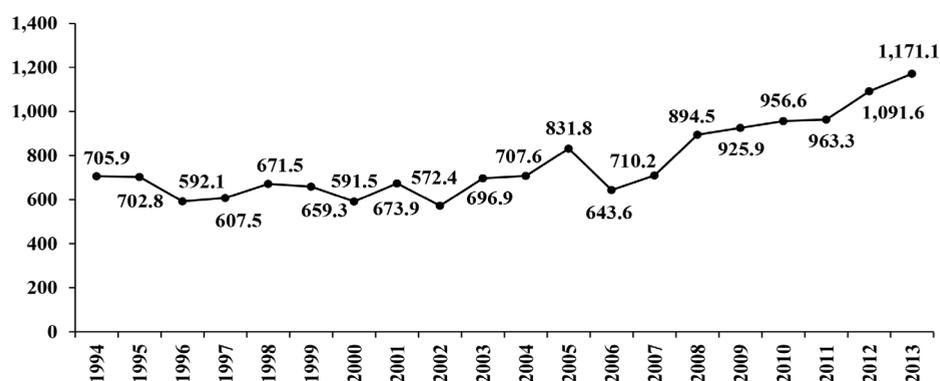
Year	2001	2002	2003	2004	2005	2006	2007
Industrial GDP	673.9	572.4	696.9	707.6	831.8	643.6	710.2
Average annual growth or deterioration (%)	+13.9	-15.1	+21.8	+1.5	+17.6	-22.6	+10.3

Year	2008	2009	2010	2011	2012	2013**
Industrial GDP	894.5	925.9	956.6	963.3	1,091.6	1,171.1
Average annual growth or deterioration (%)	+26	+3.5	+3.3	+0.7	+13.3	+7.3

* Base year 2004.

** Preliminary estimates.

Industrial GDP in PA Territories 1994–2013 at Constant Prices (\$ million)



In general, what applies to the industrial sector applies to the agricultural sector, which has suffered from arbitrary Israeli actions, including confiscation of most of the available water resources, confiscation of huge expanses of agricultural land, preventing farmers from taking full advantage of their lands, and pumping waste and polluted materials from settlements onto agricultural land. In addition, Israel took punitive measures aimed at destroying crops during the *Intifadah* and there were ensuing clashes with Israel. Jewish settlers attacked crops and farmers, while checkpoints and the Separation Wall caused extensive damage to the agricultural sector.

Nevertheless, the PA shares responsibility for the industrial and agricultural sectors, and for strengthening their resilience and ensuring their growth. The following table displays the agricultural GDP from 1994 to 2013:

Table 15: Agricultural GDP in PA Territories 1994–2013
at Constant Prices* (\$ million)³⁸

Year	1994	1995	1996	1997	1998	1999	2000
Agricultural GDP	361.2	372.8	435.3	385	430.8	422	356.1
Average annual growth or deterioration (%)	–	+3.2	+16.8	–11.6	+11.9	–2	–15.6

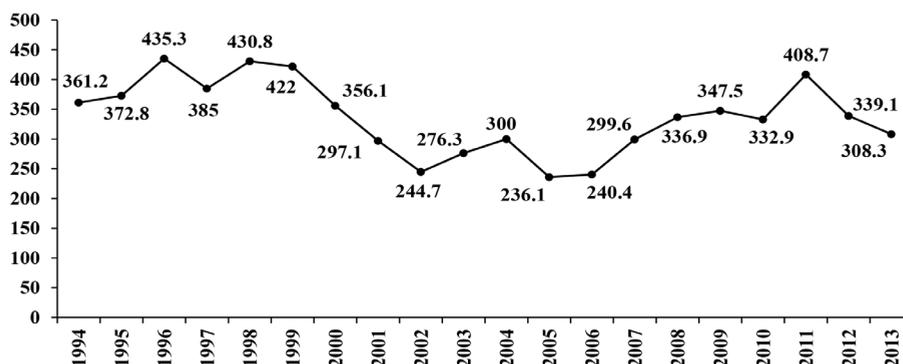
Year	2001	2002	2003	2004	2005	2006	2007
Agricultural GDP	297.1	244.7	276.3	300	236.1	240.4	299.6
Average annual growth or deterioration (%)	–16.6	–17.6	+12.9	+8.6	–21.3	+1.8	+24.6

Year	2008	2009	2010	2011	2012	2013**
Agricultural GDP	336.9	347.5	332.9	408.7	339.1	308.3
Average annual growth or deterioration (%)	+12.4	+3.1	–4.2	+22.8	–17	–9.1

*Base year 2004.

** Preliminary estimates.

Agricultural GDP in PA Territories 1994–2013 at Constant Prices (\$ million)



Ninth: Trade

The PA territories are import-dependent areas. In addition to the fact that raw material is scarce, Israeli authorities deliberately ease restrictions on imports, except for capital goods that can promote the PA's economy. It also imposes many constraints

³⁸ Ibid.

on production and exports. As a result, the PA suffered from a chronic trade deficit for 20 years starting from the date of its inception.

The following table shows commodity trade balance in PA territories, from 1995 to 2013:

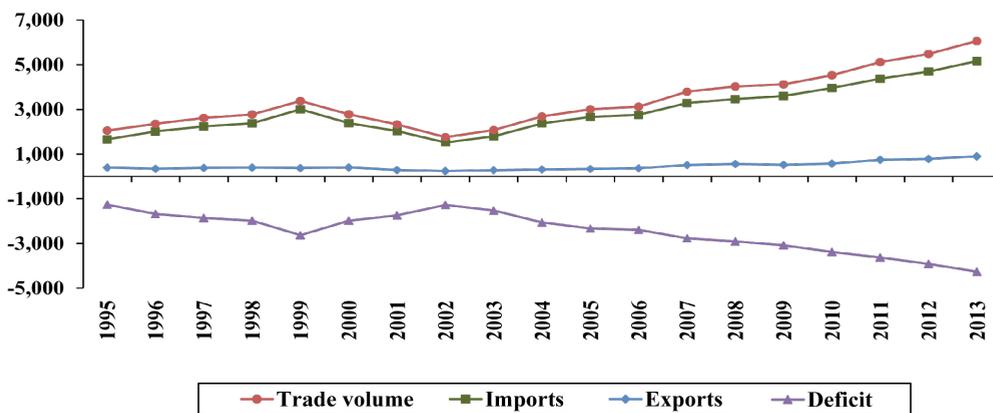
Table 16: Commodity Trade Balance in PA Territories 1995–2013
(\$ million)³⁹

Year	Trade volume	Exports	Imports	Deficit
1995	2,052.4	394.2	1,658.2	-1,264
1996	2,355.5	339.5	2,016.1	-1,676.6
1997	2,621	382.4	2,238.6	-1,856.1
1998	2,769.9	394.8	2,375.1	-1,980.3
1999	3,379.4	372.1	3,007.2	-2,635.1
2000	2,783.7	400.9	2,382.8	-1,982
2001	2,324	290.3	2,033.6	-1,743.3
2002	1,756.5	240.9	1,515.6	-1,274.7
2003	2,079.9	279.7	1,800.3	-1,520.6
2004	2,685.9	312.7	2,373.2	-2,060.6
2005	3,003	335.4	2,667.6	-2,332.1
2006	3,125.4	366.7	2,758.7	-2,392
2007*	3,797	513	3,284	-2,771.1
2008	4,024.6	558.4	3,466.2	-2,907.7
2009	4,119.1	518.4	3,600.8	-3,082.4
2010	4,534	575.5	3,958.5	-3,383
2011*	5,119.3	745.7	4,373.6	-3,628
2012	5,479.7	782.4	4,697.4	-3,915
2013	6,064.5	900.6	5,163.9	-4,263.3

* Revised data.

³⁹ PCBS, *Registered Foreign Trade Statistics Goods and Services, 2013: Main Results* (Ramallah: PCBS, August 2014), http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2070.pdf

Commodity Trade Balance in PA Territories 1995–2013 (\$ million)



The volume of PA’s trade rose from about \$2,052 million in 1995 to about \$6,065 million in 2013, an increase of 195.6%. The increase in exports remained small compared with the increase in imports. Even though exports increased from \$394 million in 1995 to about \$901 million in 2013, imports jumped from \$1,658 million in 1995 to \$5,164 million in 2013. In other words, the trade deficit rose from \$1,264 million in 1995 to \$4,263 million in 2013, which means the PA should make a lot of effort to reorient the trade balance towards a positive boost, and to cut the deficit.

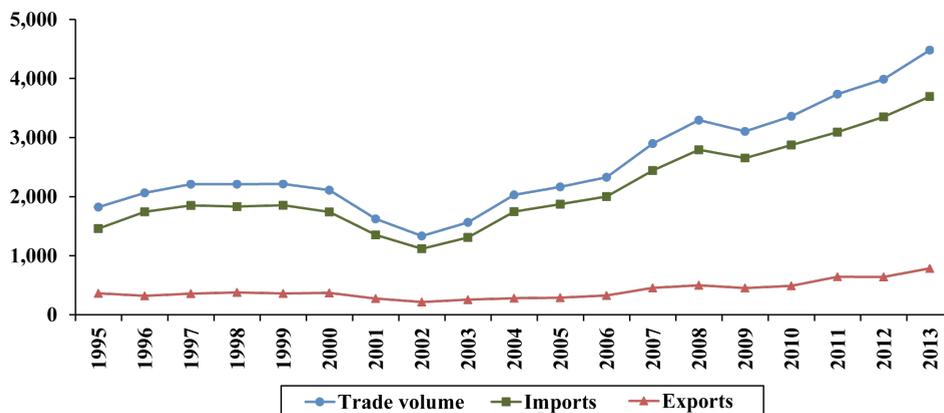
The lion’s share of the PA’s foreign trade is with Israel, which linked the Palestinian economy to it and kept it under control throughout the PA’s tenure. The PA did not tackle this dependence on the Israeli economy, and more than 70% of Palestinian imports come from Israel, while more than 80% of Palestinian exports go there. This shows that Israeli economy totally dominates the Palestinian one. The following table reports PA trade with Israel from 1995 to 2013:

Table 17: Volume of Palestinian Trade, Exports and Imports in Goods in PA Territories to/ from Israel 1995–2013 (\$ million)⁴⁰

Year	Trade volume		Exports		Imports	
	Amount	Proportion to the total trade volume (%)	Amount	Proportion to total exports (%)	Amount	Proportion to total imports (%)
1995	1,824.4	88.9	364	92.3	1,460.4	88.1
1996	2,062.4	87.6	319.2	94	1,743.2	86.5
1997	2,210.7	84.3	358.4	93.7	1,852.4	82.7
1998	2,212.6	79.9	379.5	96.1	1,833.1	77.2
1999	2,214.1	65.5	360.5	96.9	1,853.6	61.6
2000	2,109.2	75.8	369.7	92.2	1,739.5	73
2001	1,624.6	69.9	273	94	1,351.6	66.5
2002	1,333.5	75.9	216.3	89.8	1,117.1	73.7
2003	1,565.6	75.3	256	91.5	1,309.6	72.7
2004	2,029	75.5	281.1	89.9	1,747.9	73.7
2005	2,164.3	72.1	290.6	86.6	1,873.7	70.2
2006	2,328.7	74.5	326.6	89.1	2,002.2	72.6
2007	2,898.1	76.3	455.2	88.7	2,442.9	74.4
2008	3,294.3	81.9	499.4	89.4	2,794.8	80.6
2009	3,104.6	75.4	453.5	87.5	2,651.1	73.6
2010	3,361.7	74.1	488.4	84.9	2,873.3	72.6
2011	3,734.9	73	643.9	86.3	3,091	70.7
2012	3,990	72.8	639.2	81.7	3,350.8	71.3
2013	4,481.2	73.9	786.4	87.3	3,694.8	71.6

⁴⁰ PCBS, Registered Foreign Trade Statistics Goods and Services, 2012-Main Results, http://www.pcbs.gov.ps/pcbs_2012/Publications.aspx

Volume of Palestinian Trade, Exports and Imports in Goods in PA Territories to/ from Israel 1995–2013 (\$ million)



As for PA's trade with the rest of the world, some Arab and Muslim countries enhanced their partnership with the PA over recent years. Turkey has been able to increase its trade from \$4.3 million in 1995 to \$292.2 million in 2013, becoming the second largest trading partner after Israel. Jordan came fourth in 2013, with a trade volume of \$146.9 million, while KSA ranked eighth in the same year at \$52.4 million, and Egypt eleventh at \$43.7 million. Turkey, Jordan, and Egypt all draw on their established relations with Israel to facilitate their trade with the PA.

Regarding the PA's trade with foreign States, China comes on top with a trade volume that grew from \$9.5 million in 1995 to \$236.6 million in 2013, followed by Germany, with a trade volume that amounted to \$125.9 million in 2013, then Italy at \$62.3 million in the same year, and then Spain, France, US, South Korea, Sweden, and United Kingdom (UK).

The PA's main imports are fuel oil (diesel), natural gas and cement, while the PA's main exports are construction blocks and medicinal herbs.⁴¹

The following table shows the PA's volume of trade with selected countries in selected years between 1995 and 2013:

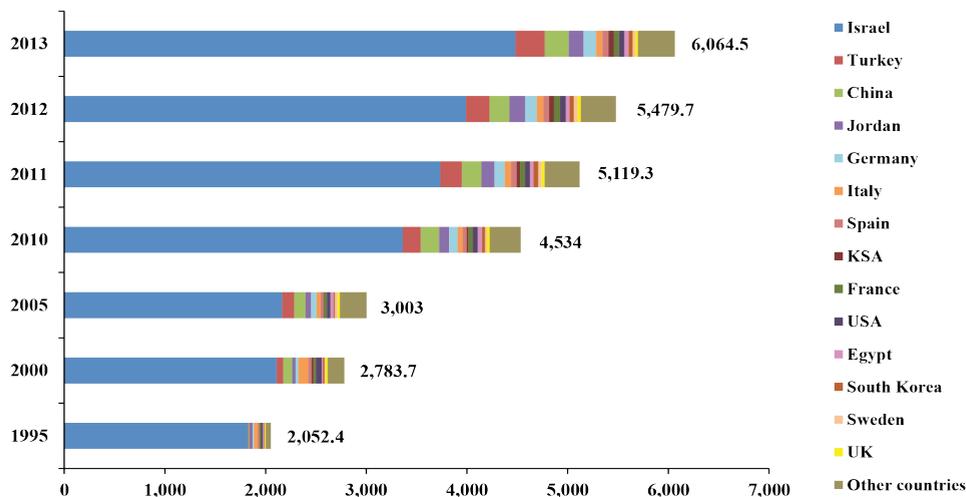
⁴¹ PCBS, *Performance of the Palestinian Economy 2013* (Ramallah: PCBS, October 2014), http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2078.pdf

Table 18: Volume of Palestinian Trade with Selected Countries-Selected Years (\$ million)⁴²

Year	1995	2000	2005	2010	2011	2012	2013
Israel	1,824.4	2,109.2	2,164.3	3,361.7	3,734.9	3,990	4,481.2
Turkey	4.3	66.4	121.9	179.6	215.1	234	292.2
China	9.5	89.3	111.3	181.3	194.1	197.3	236.6
Jordan	32.9	32.7	52.6	98.6	128.9	157	146.9
Germany	14.2	27.8	54.7	85.6	101.5	114.8	125.9
Italy	37.8	97	41.6	50	63.2	66	62.3
Spain	16.4	34.7	28.4	39.9	56.1	56.7	60.6
KSA	0.5	19.7	2.8	16.8	32.7	45.7	52.4
France	16.1	22.9	31.2	43.9	49.6	63.4	52.2
US	16.4	56.8	36	49.2	48.6	57.4	52
Egypt	10	13.6	32.3	42.5	35	36.4	43.7
South Korea	8.1	15.4	10.8	29.9	47.6	42.6	38.7
Sweden	1.9	6.1	26.4	18.6	33.6	36.7	26.3
UK	8.4	24.9	23.4	28.8	31.3	32.4	25.9
Other countries	51.5	167.2	265.3	307.6	347.1	349.3	367.6
Total	2,052.4	2,783.7	3,003	4,534	5,119.3	5,479.7	6,064.5

⁴² PCBS, Registered Foreign Trade Statistics Goods and Services, 2012-Main Results, http://www.pcbs.gov.ps/pcbs_2012/Publications.aspx

Volume of Palestinian Trade with Selected Countries-Selected Years (\$ million)



Tenth: Foreign Aid and Grants

Data provided by the Ministry of Planning and Administrative Development and Ministry of Finance, based on a study conducted by Nasr ‘Abdul Karim and Bassim Makhul, indicated that the total financial support pledged by donor states since the Oslo Accords until the end of 2004 amounted to about \$9 billion. However, the total amount of pledges honoured by these sides for the same period was \$7.5 billion, yet what they had actually disbursed was about \$7 billion by the end of 2004, an average of \$630 million a year.⁴³ In addition to this aid, emergency grants were provided by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), estimated at \$400 million. According to data from the Ministry of Planning and Administrative Development, the PA, with its various executive bodies, received 87% of the total aid provided to the Palestinians, while NGOs received about 8% and UNRWA 5%.⁴⁴

⁴³ See Nasr Abdul Karim and Bassim Makhul, *Nahwa Tawzif Anja*, pp. 22–24.

⁴⁴ See *Ibid.*, pp. 29–30.

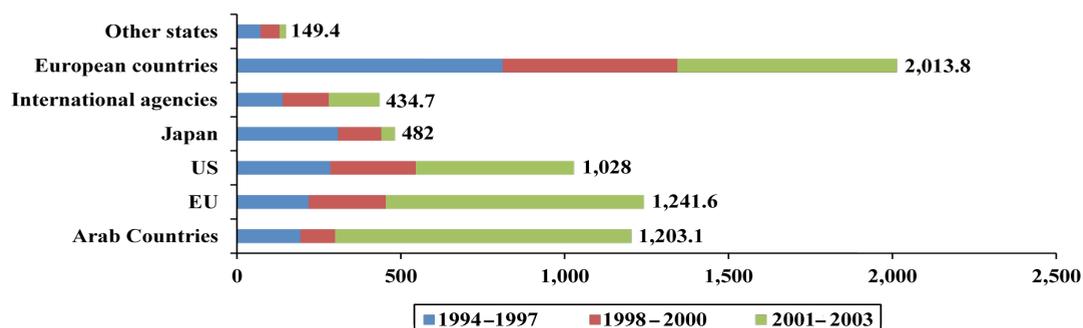
According to data compiled by Nasr ‘Abdul Karim and Bassim Makhul from reports by the Ministry of Planning and Administrative Development and Ministry of Finance, the US, EU, and European countries provided the bulk of aid and grants during the period 1994–2003, with a total of \$4,283.4 million, i.e., 65.4%. Arab States combined contributed \$1,203.1 million (18.4%), Japan \$482 million (7.4%) and international institutions \$434.7 million (6.6%). The US, as a single state, topped the list of donor states with a total of \$1,028 million (15.7%). The Arab States’ contribution in the period 1994–2000, which preceded *al-Aqsa Intifadah*, was noticeably small, providing \$299.7 million out of \$3,495.2 million pledged, only 8.6% of total assistance. It can be observed that Arab aid doubled in the period of the upsurge of *al-Aqsa Intifadah*, with the aim of supporting the PA and supporting the steadfastness of the Palestinian people; aid leapt from \$105.9 million (7.2%) in the period 1998–2000, to \$903.4 million (29.5%) in the 2001–2003 period. As of 2001, grants offered to support the PA’s budget gradually made the bulk of assistance over grants awarded for development projects. Table 19 details international aid provided by donors to the PA between 1994 to 2003.

Statistics compiled in 2007, based on figures provided by the Ministry of Planning and Administrative Development and published in the *Palestinian Strategic Report 2006*, indicate that the rate of Arab countries aid increased from 14% in 2005 to 36% in 2006, while the rate of EU assistance reached 46% in 2005, compared to 33% in 2006. Whereas North America (especially the US) decreased its aid from 20% in 2005 to 12% in 2006.⁴⁵ The increased Arab contribution was to compensate shortages resulting from measures taken by Israel and Western States towards the 2006 Hamas government.

⁴⁵ Mohsen Mohammad Saleh, *PSR 2006*, p. 320.

Table 19: Grants to PA 1994–2003 (\$ million)⁴⁶

Donor	1994–1997		1998–2000		2001–2003		Total (1994–2003)	
	Pledges	Disbursement	Pledges	Disbursement	Pledges	Disbursement	Pledges	Disbursement
Arab Countries	312.3	193.8	101.5	105.9	5.2	903.4	419	1,203.1
EU	520.2	219.1	507.2	235.2	187.3	787.3	1,214.7	1,241.6
US	292.9	285.3	396.8	260.4	759.5	482.3	1,449.2	1,028
Japan	298.9	308.3	167.5	132.4	37.5	41.3	503.9	482
International agencies	225.5	139.3	180.5	140.7	54.5	154.7	460.5	434.7
European countries	1,107.6	810.9	858.6	533.4	519.3	669.5	2,485.5	2,013.8
Other states	101.5	72.6	57.2	57.9	16.7	18.9	175.4	149.4
Total	2,858.9	2,029.3	2,269.3	1,465.9	1,580	3,057.4	6,708.2	6,552.6

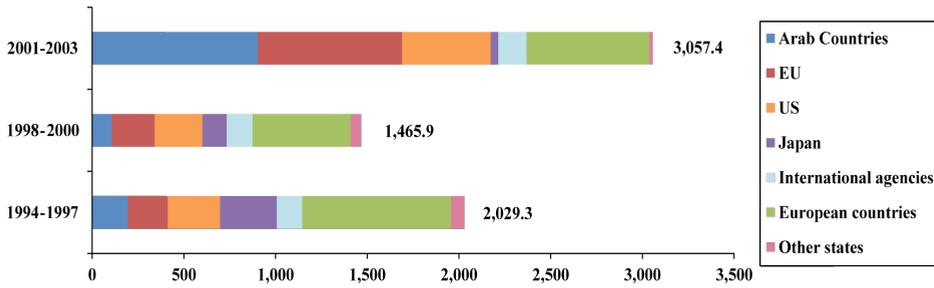
Grants to PA 1994–2003 By State (\$ million)

⁴⁶ See Nasr Abdul Karim and Bassim Makhul, *Nahwa Tawzif Anja'*, p. 53.

Note: It should be noted that we should not entirely rely on the accuracy of figures and statistics for this period due to some conflicting cases, and to some difference in the ways the researchers addressed the issue. However, all are based on the statistics of the Ministry of Planning and Administrative Development and Ministry of Finance.

See for example Ibrahim Salim Jaber, "Foreign Financing, Reality..... and Challenges," A study presented at The First Scientific Conference: Investment and Finance in Palestine between Development Prospects and Contemporary Challenges, The Islamic University, School of Commerce, Gaza, 8–9/5/2005, <http://research.iugaza.edu.ps/files/8018.PDF> (in Arabic); and see Grants and Aid 1994–2003 in Mohsen M. Saleh and Basheer M. Nafi, *PSR 2005*, p. 214.

Grants to PA 1994–2003 By time period (\$ million)



In 2006, the EU created an alternative mechanism to directly deliver its grants and assistance, without having to go through the channels of the Hamas-led PA government. To that end, the Temporary International Mechanism (TIM) was established, and was then upgraded in 2008 to the Mécanisme Palestino-Européen de Gestion et d'Aide Socio-Economique (PEGASE), which means the Palestinian-European Mechanism for Management of Socio-Economic Aid. Thus, since the West (particularly the US) controls the remittance system, and because most Western States had decided to impose a blockade against the Haniyyah government, other remittances were channelled through PA institutions, or through other channels that did not defy or bypass the US-Western blockade. After Fatah took control of the PA in the WB and Hamas seized the GS in mid-2007, pro-peaceful settlement forces pushed towards providing support for the Fatah-appointed government in the WB, and towards maintaining the blockade against the Hamas-run caretaker government in the GS.

The Annapolis conference, which was held on 27/11/2007 to push forward the peace process, was followed by the Paris Conference (Conférence de Paris Pour la Paix au Proche-Orient), which was held in Paris on 17/12/2007, with the participation of 87 states and international agencies. Donor States and agencies pledged \$7.4 billion worth of assistance to the Fayyad government over three years. The plan submitted by the Fayyad government to the conference promised real development in the areas of “good governance,” the social sphere, the private sector, and infrastructure.⁴⁷ The donor conference was a clear example how “political money” supports one Palestinian party over another; a certain Palestinian track over another; PA Presidential “legitimacy” over the PLC’s “legitimacy”; as well as in activating the role of the Presidency and hindering the role of PLC. The actual support received by the PA over the following three years (2008–2010)

⁴⁷ Mohsen Mohammad Saleh, *PSR 2007*, pp. 371–372.

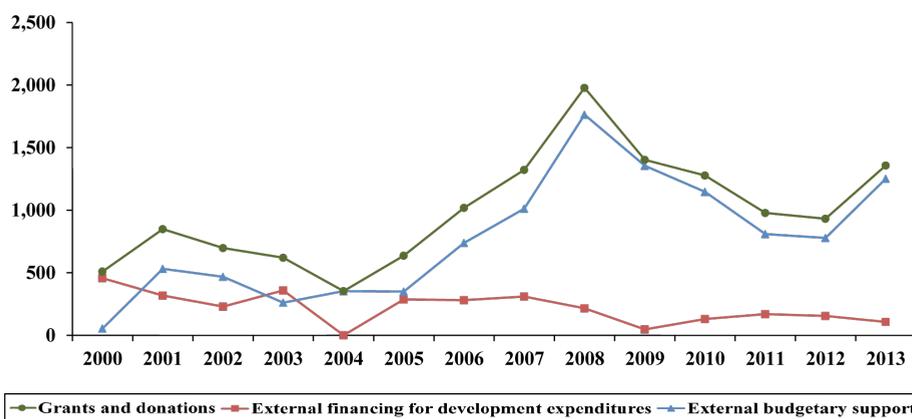
amounted to a total of \$4,656.9 million, of which \$4,264.6 million, i.e., 91.6%, went to budget support. Although the PA was partially successful in reducing its dependence on foreign aid, such aid remained a key pillar of its economy. The grants accounted for 52.6%, 47.5%, and 39.8% of the PA’s total revenue in 2008, 2009, and 2010 respectively. They hit a record low of 29.4% in 2012. However, this policy was apparently not sustainable, as total external support jumped from \$932.1 million in 2012 to \$1,358 million in 2013, a 45.7% increase; and accounting for 36.9% of the PA’s total revenue. The following table shows the PA External budgetary support and development financing from 2000 to 2013:

Table 20: PA External Budgetary Support and Development Financing (Cash Basis) 2000–2013 (\$ million)⁴⁸

Year	2000	2001	2002	2003	2004	2005	2006
External budgetary support	54	531	468	261	353	349	738
External financing for development expenditures	456	318	229	359	0	287	281
Grants and donations	510	849	697	620	353	636	1,019

Year	2007	2008	2009	2010	2011	2012	2013
External budgetary support	1,012	1,763.1	1,355	1,146.5	808.7	777.1	1,251.2
External financing for development expenditures	310	215	46.8	130.5	168.8	155	106.8
Grants and donations	1,322	1,978.1	1,401.8	1,277	977.5	932.1	1,358

PA External Budgetary Support and Development Financing (Cash Basis) 2000–2013 (\$ million)



⁴⁸ See PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis).

The Arab States supported the PA budget with a grant worth \$2,528.9 million in the period 2007–2013, an annual rate of \$361.3 million, representing 31.1% of the external financing (which amounted to \$8,122 million). During the same period, the rest of the donor states and agencies provided support worth \$5,593.1 million, an annual rate of \$799 million, accounting for 68.9% of external financing. This means that Western States provided more than two thirds of the support given to the PA.

KSA spearheaded the Arab funding of the PA budget in the 2007–2013 period with a total of \$1,293.4 million, i.e., about 51.1% of total Arab support and 15.9% of the external financing. The UAE ranked second with \$636.5 million, 25.2% of total Arab support, and 7.8% of the external financing. Algeria was third with a total of \$273.5 million, 10.8% of Arab support and 3.4% of the external financing; followed by Qatar with a total of \$158.3 million, 6.3% of Arab support and 1.9% of the external financing. In other words, four Arab States collectively covered 93.4% of Arab budget support of the PA; while Iraq, Kuwait, Egypt, and Oman together funded the remaining 6.6%. It should be noted that KSA and UAE alone covered more than three-quarters of the aid; which confirms the role of the Arab “moderate” bloc in supporting the PA to boost the peace process.

At the international (non-Arab) level, the EU (through PEGASE) and the US continued their vital support of the PA’s budget in the 2007–2013 period. Through PEGASE, a total of \$2,701.6 million was provided, or 33.3% of the external financing (roughly equal to the total Arab support), while the US granted \$1,204.2 million, or 14.8% of the external financing. In 2011 and 2012, when the peace process reached a stalemate, the US cut its PA budget support. Then it jumped to \$349.4 million in 2013 with the re-launch of the peace process in the summer of that year. The World Bank provided \$1,373.7 million in aid, representing 16.9% of external financing. Other States provided limited or nominal assistance for the same period, such as Russia, China, India, Turkey, Japan, and Greece, among others. It was noteworthy that Japan’s support to the PA’s budget was minimal, having been prominent during the first 10 years of the PA’s existence.

Concerning external financing for development expenditures, we do not have data on the size of state contributions; however, the general perception was that during the 2007–2013 period, it was very low, compared with the PA budget support, constituting 12.2% of the total grants and donations, while external

financing represented 87.8%. The following table details the external support granted to the Palestinian Authority during the period from 2007 to 2013:

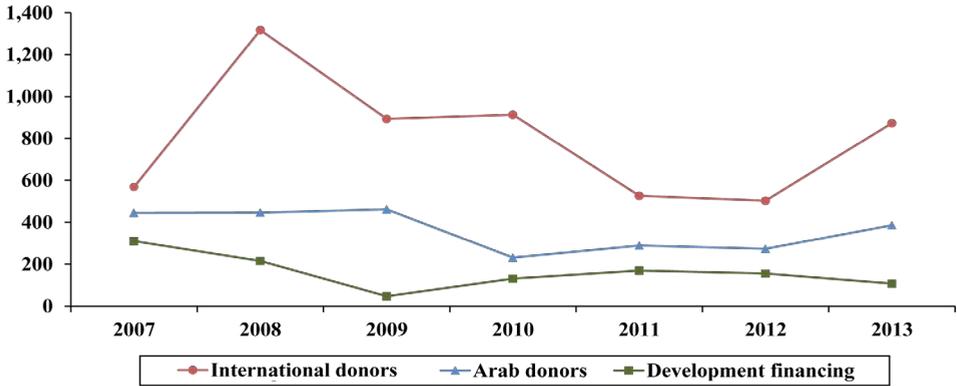
Table 21: Sources of External Financing for the PA 2007–2013 (\$ million)⁴⁹

Donor	2007	2008	2009	2010	2011	2012	2013	Total
Arab donors	444	445.9	461.6	230.8	288.2	272.7	385.7	2,528.9
KSA	127.7	234.1	241.1	143.7	181.7	103.8	261.3	1,293.4
UAE	110	134.2	173.9	42.9	42.5	84.3	48.7	636.5
Algeria	52.8	62.9	26	26.3	52.3	25.9	27.3	273.5
Qatar	110.1	–	–	9.8	–	29.5	8.9	158.3
Iraq	10	–	–	–	–	26	28	64
Egypt	–	14.6	17.8	8.1	1.6	3.2	6.4	51.7
Kuwait	33.4	–	–	–	–	–	–	33.4
Oman	–	–	2.9	–	10.1	–	5.1	18.1
International donors	568	1,317.2	893.3	912.7	526.1	502.7	873.1	5,593.1
PEGASE	493	651.1	433.2	374.6	287.7	212.3	249.7	2,701.6
The World Bank	–	282.9	135.1	279.5	172.1	266.1	238	1,373.7
US	4.7	302.3	273.2	222.9	51.7	–	349.4	1,204.2
France	20.3	35.7	27.7	15.9	14.6	24.3	25.2	163.7
Norway	41.1	–	–	–	–	–	–	41.1
Russia	–	9.9	–	9.9	–	–	9.8	29.6
India	–	–	10.1	9.9	–	–	1	21
Other	8.9	35.3	14.1	–	–	–	–	58.3
Development financing	310	215	46.8	130.5	168.8	155	106.8	1,132.9
Total	1,322	1,978.1	1,401.7	1,274	983.1	930.4	1,365.6	9,254.9

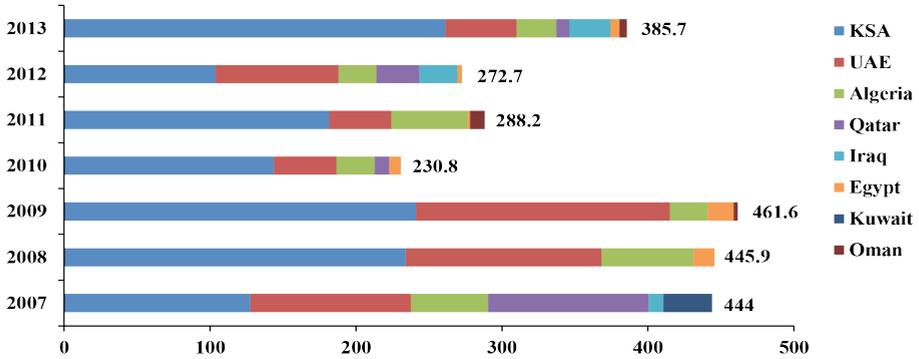
Note: Statistics related to the total grants and donations listed in Table 20 and Table 21 occasionally show minor rate differences, not exceeding 0.5%, because we had to deal with multiple sources.

⁴⁹ Palestinian National Authority, Ministry of Finance, Monthly Financial Reports, <http://www.pmo.ps/41>; and see PMA, Revenues, Expenditures and Financing Sources of PNA Fiscal Operations (Cash Basis).

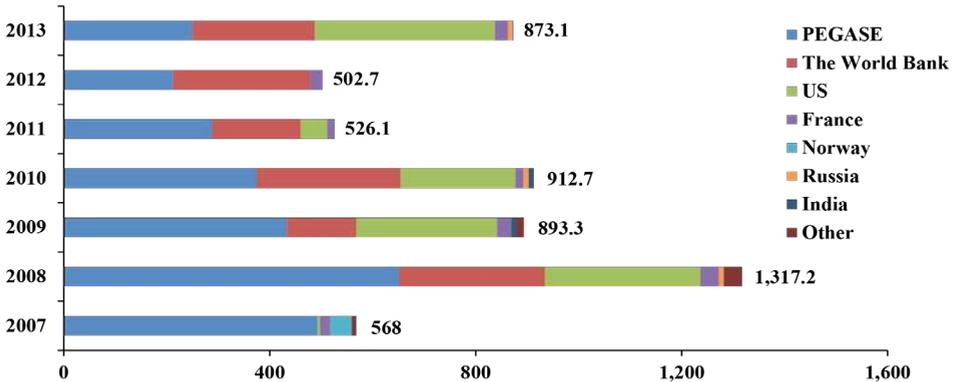
Sources of External Financing for the PA 2007–2013 (\$ million)



Arab Donors Financing the PA 2007–2013 (\$ million)



International Donors Financing the PA 2007–2013 (\$ million)



It should be noted that although the PA made efforts to curb dependence on foreign aid, its partial success achieved in the 2010–2012 period did not last. Indeed, instead of a further reduction, foreign aid increased in 2013 by \$425.9 million more than the previous year, an increase of 45.7% in just one year. It is also noteworthy that Arab budget support grew in the 2000–2013 period more than the international role, although the latter accounted for the majority of the PA external budgeting.

Conclusion

Israel remains the most influential factor and major determinant of the PA's economy, for it cannot advance while still under occupation. Regrettably, the Paris Protocol was designed to further consolidate Israel's economic dominance, and the PA, which lacks a vision for economic development, has failed to develop effective programs to leverage the potentials of the Palestinian people. In addition, its ministries and institutions have suffered financial and administrative corruption, while its budget was overburdened with non-development expenses such as security, whose wide range of functions mainly serves the PA's obligations towards Israel. Additionally, the PA was not allowed to develop without relying heavily on external assistance and grants, which are mostly "political money" linked to the conditions stipulated by the pro-peace donor states. It was used to direct the PA's agenda so that it would appease Israel's allies; the Western states (especially the US).

Since the PA territories have limited natural resources, the main capital is Palestinian human potential in various fields. If these potentials are properly harnessed of, they can make significant and qualitative leaps for Palestinian economic activity.

The 20-year-long PA economic experience has failed to enhance GDP and GDP per capita, solve the problems of poverty and unemployment, and develop infrastructure and services, especially when its data are compared with those of Israel, or even when its 1994 figures are compared to the 2013 ones.

Insomuch as the core of the Palestine issue is about liberating the land and the people and getting rid of the Israeli occupation, the Palestinian economic path must be focused on supporting the steadfastness of the Palestinian people on their own land. It must take advantage of Palestinian human potential in various fields to break away from the Israeli economy, avoiding becoming a consumer economy and focusing on being a production economy.

This Book

Almost twenty years after the Oslo Accords and the formation of the Palestinian National Authority (PA), there is a need to examine this experience in all its aspects, especially since it has not achieved its main goal: the transition from an autonomous authority to an independent state with full sovereignty over the 1967 occupied Palestinian territories (West Bank and Gaza Strip).

This book is a comprehensive study of the PA and its experience. The 15 chapters analyze the aspects of the PA establishment and its legislative, judicial and presidential institutions, as well as the performance of successive governments. The book deals with the internal Palestinian situation, the security forces, the PA position towards the resistance forces, and economic, demographic, educational and health conditions in the West Bank and Gaza Strip. It also tackles the corruption in the PA, the relationship between the PA and the media, as well as its foreign policy.

This book is a systematic, scientific study that forensically documents the PA experience. It has undergone the usual procedures of scientific editing, including the reviewing of texts and references.

The Palestinian National Authority Studies of the Experience and Performance 1994 - 2013



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