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Economic costs of the Israeli occupation for the Palestinian people: poverty in the West Bank between 2000 and 2019

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report prepared by the secretariat of the United Nations Conference on Trade and Development.

* [A/76/150](#).



Report prepared by the secretariat of the United Nations Conference on Trade and Development on the economic costs of the Israeli occupation for the Palestinian people: poverty in the West Bank between 2000 and 2019

Summary

The present report is submitted pursuant to General Assembly resolution [75/20](#), in which the Assembly requested the United Nations Conference on Trade and Development to report to it on the economic costs of the Israeli occupation for the Palestinian people. The report builds on, and complements, the findings of the previous report, issued in 2020 ([A/75/310](#)).

Following the outbreak of the second intifada in the occupied Palestinian territory, on 28 September 2000, Israel tightened its closure policy and implemented more stringent measures in the territory. The impact of those actions on the fragile regional economy of the West Bank was not only a contraction by one third of its size between 2000 and 2002. More importantly, they have had a long-lasting negative impact that has affected all economic sectors for 20 years.

Even with high dependence on employment in Israel and its settlements, the West Bank regional economy experienced two decades of jobless growth, fostering an average of 18 per cent unemployment between 1995 and 2019. Without employment in Israel and in the settlements, the unemployment rate could have been 16 percentage points higher, at par with the extremely high rate in Gaza. The cumulative economic cost of the stricter Israeli measures during the period 2000–2019 is estimated at four and a half times the size of the West Bank regional economy in 2019.

The cost of occupation, in poverty terms, is also substantial, with the poorer segments of the population disproportionately affected. Had the tighter Israeli restrictions, imposed after the second intifada, not occurred, the 2004 poverty rate in the West Bank could have been 11.7 per cent, or only one third of the observed 35.4 per cent. The analysis conducted indicates that the real minimum cost of eliminating poverty in the West Bank jumped from \$73 million (constant 2015 United States dollars) in 1998 (before the second intifada) to \$356 million in 2004, and to \$428 million in 2007.

The evolving and cumulative cost of occupation cannot be reversed without ending the occupation, in line with relevant United Nations resolutions. All mobility restrictions in the occupied Palestinian territory need to be lifted, and the contiguity of its constituent parts, including East Jerusalem, needs to be re-established. Palestinian public and private operators should be allowed to function in Area C, which represents at least 60 per cent of the West Bank. The United Nations maintains its position that a lasting and comprehensive peace can only be achieved through a negotiated two-State solution.

I. Introduction, objective and limitation

1. The present report follows four previous reports prepared by the United Nations Conference on Trade and Development (UNCTAD), and submitted to the General Assembly, on the economic cost of the Israeli occupation for the Palestinian people ([A/71/174](#), [A/73/201](#), [A/74/272](#) and [A/75/310](#)). The topic of the present report builds on, and complements, the findings of the previous report, which was focused on poverty and the cost of occupation in the Gaza Strip. The same indicators are used, and the same approach deployed, to evaluate the corresponding costs in the West Bank during the period 2000–2019. The year 2000 was selected as a starting date for the assessment because it was the first year that followed the imposition of additional detrimental measures and a stricter closure policy by the occupying Power after the outbreak of the second intifada, in September 2000.

2. As set out below, after the outbreak of the second intifada in the occupied Palestinian territory, Israel imposed a complex system of mobility restrictions,¹ which has effectively turned the West Bank into isolated islands. Those measures paralysed economic activity, inflicted serious dislocations and significant income losses and thus aggravated pre-existing and deep-seated structural weaknesses and vulnerabilities. They have entailed long-lasting effects, including volatile economic growth, persistently high unemployment and poverty rates and chronic internal and external deficits. Until the occupation is ended, those ramifications will continue to restrict Palestinian economic development and add to the cumulative cost of occupation for the Palestinian people.

3. The report provides details on and estimates of the economic cost of the Israeli closures and restrictions for the Palestinian people, with a focus on the socioeconomic conditions of households in the West Bank. The economic cost is estimated in terms of the potential economic growth that could have been realized if the additional harmful measures and stricter closure policy, imposed following the outbreak of the second intifada, had not occurred. It uses data from household expenditures and consumption surveys and census data to estimate the impact of Israeli policies on the poverty rate and poverty gap at the household level, leading to estimates of the minimum cost of eliminating poverty in the West Bank. The final section of the report contains some conclusions and recommendations.

4. It should be stressed that the estimates in the report are limited to the economic cost of occupation that resulted from the direct and long-lasting impact of the additional restrictive measures imposed by Israel on the West Bank following the outbreak of the second intifada, during the 2000–2019 period. The estimates presented therefore account only for a small part of the total cost of the Israeli occupation of the West Bank.

5. Those estimates do not include the impact of the restrictions in 2020 and 2021 associated with the coronavirus disease (COVID-19), nor the potentially substantial economic cost of events triggered by the threat of eviction of Palestinian families and confiscation of their properties in the Shaykh Jarrah neighbourhood of East Jerusalem in May 2021. The ensuing confrontations spread to the rest of the West Bank. According to the Office for the Coordination of Humanitarian Affairs, 31 Palestinians were killed, 7,516 injured and 798 arrested.² Most of the fatalities resulted from the use by Israeli security forces of live ammunition in the context of demonstrations or clashes or in response to attacks or attempted attacks. On the Israeli side, 1 person was killed and 137 were injured, including 90 members of Israeli security forces (see [S/2021/584](#)).

¹ United Nations, Office for the Coordination of Humanitarian Affairs, “West Bank closure and access”, April 2005.

² United Nations, Office for the Coordination of Humanitarian Affairs, “West Bank: escalation of violence, 13 April–21 May 2021”, June 2021.

6. The economic cost of the recent tensions in the occupied Palestinian territory is likely to be enormous. Upon request by the General Assembly, that cost could be assessed and accounted for, then reported to the Assembly.

II. The lasting impact of restrictions in the West Bank

7. Subsequent to the failure of Israel and the Palestine Liberation Organization to reach an agreement at the conference held in July 2000 at Camp David, Maryland, in the United States of America, the second Palestinian uprising (intifada) broke out on 28 September 2000. In response, Israel immediately tightened its existing restrictions and imposed a total closure on the occupied Palestinian territory. According to the Israeli Information Center for Human Rights in the Occupied Territories (B'Tselem), the number of closure days increased dramatically in October 2000, reaching 244 days in 2001, then declined to 122 in 2006 before dropping to 34 days in 2007.³

8. On 29 March 2002, Israel launched its Operation Defensive Shield in the West Bank, which started with the reoccupation of Ramallah, followed by the other Palestinian cities. The Israel Defense Forces announced the official end of the operation on 21 April 2002. However, the incursions and re-incursions into Palestinian towns and cities from which the Israeli forces had withdrawn continued even beyond 2002 (see [A/ES-10/186](#)).

9. The term “closure” refers to the restrictions that Israel imposed on the free movement of Palestinian goods and labour across borders and within the West Bank and Gaza. Israel claims that such restrictions are required for security reasons. They take three forms: (a) internal closure within the West Bank and between the West Bank and Gaza, reinforced periodically by curfews; (b) the external closure of crossings between Israel and the West Bank and between Israel and Gaza; and (c) the external closure of international crossings between the West Bank and Jordan and between Gaza and Egypt.⁴

10. Under external border closure, Palestinians from the West Bank and Gaza are not allowed to enter Israel or East Jerusalem or travel to Jordan. This contributes to disconnecting them from the rest of the world. Under internal closure, Palestinians are not allowed to move between the West Bank and the Gaza Strip or between urban centres within the West Bank and surrounding villages.⁵ Furthermore, Israel imposed full curfews on Palestinian cities and villages, which sometimes lasted for several months. That paralysed economic activity and deprived large segments of the population of their income and heightened their vulnerability to various types of shocks. Palestinians who worked in Israel could not make it to their workplace under curfew conditions, and the demand for non-regular wage workers throughout the West Bank diminished. Self-employed Palestinians in urban areas and refugee camps could not open shops.

11. In addition to the closures, curfews and destruction of private and public infrastructure, Israel withheld, and did not transfer to the Palestinian National Authority, public revenues from taxes on Palestinian imports (clearance revenues) from December 2000 to December 2002. This not only undermined the ability of the Authority to plan and manage its finances and fund development projects, but also posed a significant challenge to its ability to meet its financial obligations, in particular footing civil service wages and covering current expenditures.⁶

³ B'Tselem – Israeli Information Center for Human Rights in the Occupied Territories, “Figures on comprehensive closure days”, 31 May 2021.

⁴ World Bank, *Four Years – Intifada, Closures and Palestinian Economic Crisis: An Assessment* (2004).

⁵ World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic Crisis: An Assessment* (2002); and World Bank, *Twenty-Seven Months – Intifada, Closures and Palestinian Economic Crisis: An Assessment* (2003).

⁶ *The Economic Costs of the Israeli Occupation for the Palestinian People: Cumulative Fiscal Costs* (United Nations publication, 2019).

12. The complex system of mobility restrictions, which Israel tightened after October 2000, has effectively turned the West Bank into an archipelago of islands fragmented by physical barriers in the form of permanent and flying checkpoints, metal gates, earth mounds, earth walls, roadblocks and trenches, in addition to curfews. Palestinians were either restricted or entirely prohibited from using 41 roads covering more than 700 km of roadway. By 2005, 300 of those barriers were still in place, and the barrier wall constructed by Israel in the West Bank had created new physical and economic constraints.⁷ In 2020, there were 593 movement obstacles in the West Bank, and construction of the 710 km barrier wall, which is more than twice the length of the Green Line (corresponding to the June 1967 border), had reached 64 per cent.⁸

A. The direct impact of measures imposed by Israel following the outbreak of the second intifada

13. The direct impact and costs of the additional restrictive measures and stricter closure policy imposed by Israel on the West Bank after the outbreak of the second intifada include the following:

(a) The cumulative economic cost in terms of lost potential income over the 2000–2004 period is estimated at \$6.4 billion, or 82 per cent of the Palestinian gross domestic product (GDP) in 1999 (see [TD/B/52/2](#));

(b) The loss of physical capital is estimated at \$3.5 billion, as a result of the destruction of private and public infrastructure and capital stock and the overuse of surviving physical capital, which represents 30 per cent of pre-2000 Palestinian capital stock (*ibid.*);

(c) In 2004 alone, 1,399 houses in the West Bank and Gaza were destroyed, rendering 10,683 people homeless. In the four years ending August 2004, 2,370 housing units were destroyed in the Gaza Strip, with approximately 22,800 people left homeless (*ibid.*);

(d) Palestinians are restricted from conducting business in Area C, which represents more than 60 per cent of the area in the West Bank. In 2013 the World Bank estimated that the lifting of restrictions on Palestinian economic activities in Area C would add 35 per cent to the Palestinian GDP;⁹

(e) The overall damage to the economy during the first 15 months following the outbreak of the second intifada was estimated at \$2.4 billion, raw physical damage was estimated at \$305 million, and lost investment opportunities were estimated at \$1.2 billion;¹⁰

(f) About half of Palestinian households lost more than 50 per cent of their usual income, and about 16 per cent of them suffered from precarious living conditions. It is reported that the median monthly income in the occupied Palestinian territory decreased from NIS 2,500 (\$750) before September 2000 to NIS 1,500 (\$450) at the end of 2004.¹¹

⁷ United Nations, Office for the Coordination of Humanitarian Affairs, “West Bank closure and access”.

⁸ United Nations, Office for the Coordination of Humanitarian Affairs, “West Bank access restrictions”, June 2020.

⁹ World Bank, *West Bank and Gaza: Area C and the Future of the Palestinian Economy*, Report No. AUS2922 (Washington, D.C., 2013).

¹⁰ World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic Crisis*.

¹¹ Palestinian Central Bureau of Statistics, *Levels of Living in the Palestinian Territory: the Final Report (January 2004–January 2005)* (2005). Available at www.pcbs.gov.ps/Downloads/book1188.pdf.

B. The long-lasting impact of restrictions and closures

14. The additional restrictive measures and stricter closure policy imposed by Israel on the West Bank after the second intifada have aggravated the Palestinian economy's pre-existing and deep-seated structural weaknesses and vulnerabilities to external shocks arising from the prolonged occupation, as manifested by volatile economic growth, persistently high unemployment rates and chronic internal and external deficits.¹²

15. Two decades after the second intifada, the complex matrix of restrictions and controls over the Palestinian economy is still in place (see [TD/B/65\(2\)/3](#)). The only contiguous part is Area C, which is inaccessible to Palestinian producers, even though it has the most valuable natural resources, such as fertile land, minerals and stones, as well as tourist attractions (see [TD/B/67/5](#)).

16. Daily life in the West Bank is constrained by measures taken by the occupying Power that result in casualties among civilians and the demolition of homes and productive assets. Moreover, the construction of the barrier wall and the installation of hundreds of checkpoints by the occupying Power disrupt the movement of Palestinian people and goods and hinder production and trade.¹³ Furthermore, the uncertainty of the permit system for the employment of Palestinian labour in the Israeli economy and Israeli settlements has a negative impact on household consumption and the entire economy. Those factors have been mutually reinforcing, thereby deepening the structural distortions of the Palestinian economy.¹⁴

C. Distorted, unsustainable and jobless growth

17. Since the Oslo Accords and the establishment of the Palestinian National Authority in 1994, the Palestinian economy has gone through three phases. In the first phase, corresponding to the period 1995–2000, hopes for a final status agreement were high, Israeli restrictions were less severe, donor support was dedicated mainly to finance development, and the Palestinian government was able to more or less balance its recurrent budget. During that period, the West Bank regional economy registered 10.7 per cent annual growth, with the unemployment rate reaching an all-time low, at 9.5 per cent in 1999, as illustrated in figures I and II.

18. During the second phase, corresponding to the period 2000–2006, Israel tightened its closure policy and imposed further restrictive measures in the West Bank, in addition to its military operations. Meanwhile, GDP per capita fell by 35 per cent in three years, from \$3,146 (2015 constant United States dollars) in 1999 to \$2,040 in 2002, while the unemployment rate tripled, from 9.5 per cent to 28.5 per cent (see figure II). The poverty rate rose from 11.6 per cent in 1998 to 40.7 per cent in the West Bank in 2004.

19. In the phase corresponding to the period 2007–2019, the annual growth rate of real GDP and real GDP per capita in the West Bank were 6.2 per cent and 4.0 per cent, respectively. After 2007, Israeli restrictions were eased, but they remained significant obstacles to economic growth and development. During that period, growth was volatile, ranging from 13.1 per cent in 2008 to 1.6 per cent in 2019. Such volatility is

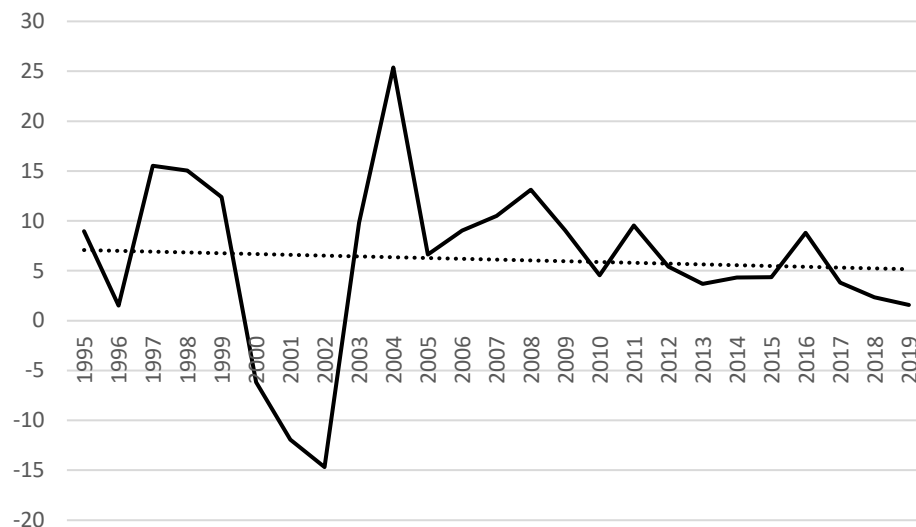
¹² *The Palestinian War-Torn Economy: Aid, Development and State Formation* (United Nations publication, 2006).

¹³ United Nations, Office for the Coordination of Humanitarian Affairs, "West Bank access restrictions".

¹⁴ *The Occupied Palestinian Territory: Twin Deficits or an Imposed Resource Gap?* (United Nations publication, 2017).

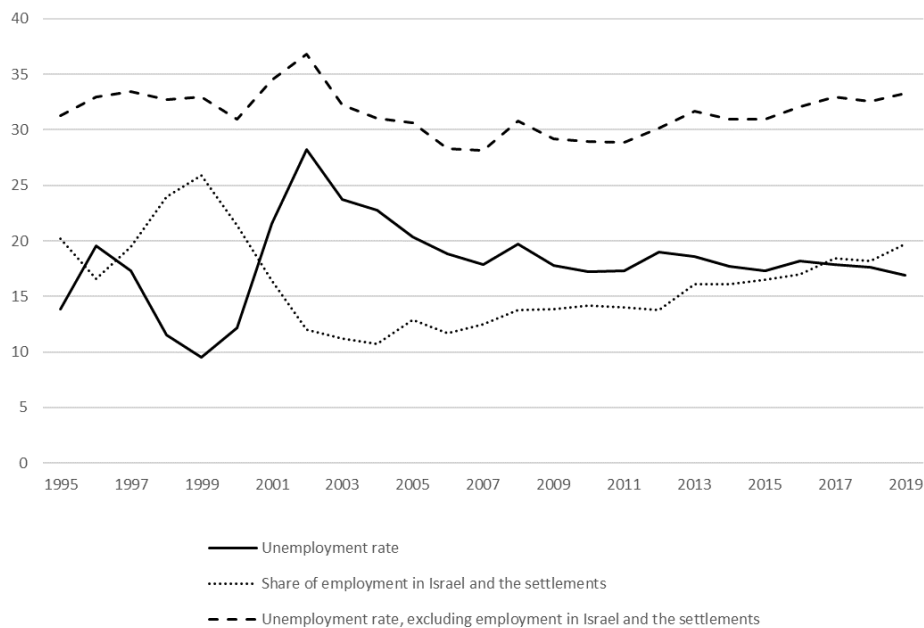
usually associated with a weak capacity for employment generation. During this third phase, the unemployment rate in the West Bank was high, hovering around 18 per cent.

Figure I
West Bank: real economic growth
(Percentage)



Source: Palestinian Central Bureau of Statistics, national accounts data; UNCTAD calculations.

Figure II
West Bank: unemployment rates and share of employment in Israel and the settlements
(Percentage)



Source: Palestinian Central Bureau of Statistics, labour survey, various issues; UNCTAD calculations.

20. The incapacity of the constrained West Bank regional economy to generate jobs forces many Palestinians to seek employment in Israel and its settlements.¹⁵ Figure II shows a strong negative correlation between the share, in total West Bank employment, of Palestinians working in Israel and the settlements and the overall unemployment rate. This reflects the dependence of the West Bank regional economy on Israel and its settlements for employment.

21. Without employment in Israel and its settlements, unemployment in the West Bank would have been much higher, at levels not far from the extremely high rates in Gaza, blockaded since 2007.¹⁶ On average, West Bank unemployment would have been 16 percentage points higher during the period 1995–2019 (see figure II). In 2019, without employment in Israel and its settlements, unemployment could have been as high as 37 per cent, instead of the recorded 17 per cent. But even with employment in Israel, the West Bank regional economy has not been able to reduce, or even stabilize, its unemployment rate since 1999. In other words, the West Bank went through two decades of jobless growth and arrested development.

III. Economic costs of the Israeli occupation of the West Bank, 2000–2019

22. In 2018, the World Bank estimated that a 10 per cent easing of road obstacles to improve market access would increase local output by 0.6 per cent and that GDP per capita would be much higher than its observed level. Furthermore, some relaxation of other restrictions by Israel could, by 2025, enlarge the Palestinian economy by 33 per cent.¹⁷

23. According to a 2013 World Bank study, the closures reduce firm profitability and labour demand and, consequently, decrease the probability of being employed. They also reduce hourly wages and the number of days worked, while increasing the number of working hours per day. The study estimated that checkpoints alone cost the West Bank regional economy at least 6.0 per cent of its GDP, and that placing one checkpoint one minute away from a locality reduces the probability of being employed by 0.41 per cent, the hourly wage by 6.3 per cent and working days by 2.6 per cent.¹⁸ According to the Palestinian Central Bureau of Statistics, the economy loses 60 million work-hours yearly (equivalent to \$274 million) as a result of mobility restrictions.¹⁹

24. Estimates of the economic costs incurred by the Palestinian people as a result of the significant tightening of Israeli closures and restrictions in the West Bank, in addition to its military operations, following the outbreak of the second intifada are provided below. As explained above, the direct result was the shrinking of the regional economy of the West Bank by one third during the period 2000–2003. It should be noted, however, that the reduction in the size of the economy has triggered a long-

¹⁵ *The Economic Costs of the Israeli Occupation for the Palestinian People*.

¹⁶ According to the Palestinian Central Bureau of Statistics, after the imposition of the blockade on Gaza in 2007, and during the period 2007–2019, the average unemployment rate in Gaza was 39.8 per cent – only 6 percentage points higher than the average rate in the West Bank after excluding employment in Israel and its settlements.

¹⁷ Roy van der Weide and others, “Obstacles on the road to Palestinian economic growth”, Policy Research Working Paper, No. 8385 (Washington, D.C., World Bank, 2018).

¹⁸ Massimiliano Cali and Sami H. Miaari, “The labour market impact of mobility restrictions: evidence from the West Bank”, Policy Research Working Paper, No. 6457 (Washington, D.C., World Bank, 2013).

¹⁹ Applied Research Institute – Jerusalem, “Assessing the impacts of Israeli movement restrictions on the mobility of people and goods in the West Bank”, 2019.

lasting cost that will continue to accumulate as long as those restrictions continue and as long as the occupying Power prevents the rebuilding of the eroded economic base.

25. On 28 September 2000, immediately after the outbreak of the second intifada, the occupying Power significantly tightened mobility and other restrictions imposed on the West Bank. It is difficult to determine the date on which those restrictions were relaxed to their pre-intifada levels. The estimation of the direct, long-lasting cost of the Israeli restrictions imposed after the second intifada is therefore based on a counterfactual growth path (scenario) of the West Bank regional economy that assumes that the significantly tighter Israeli restrictions, stricter closure policy and military operations were absent during the period 2000–2006.

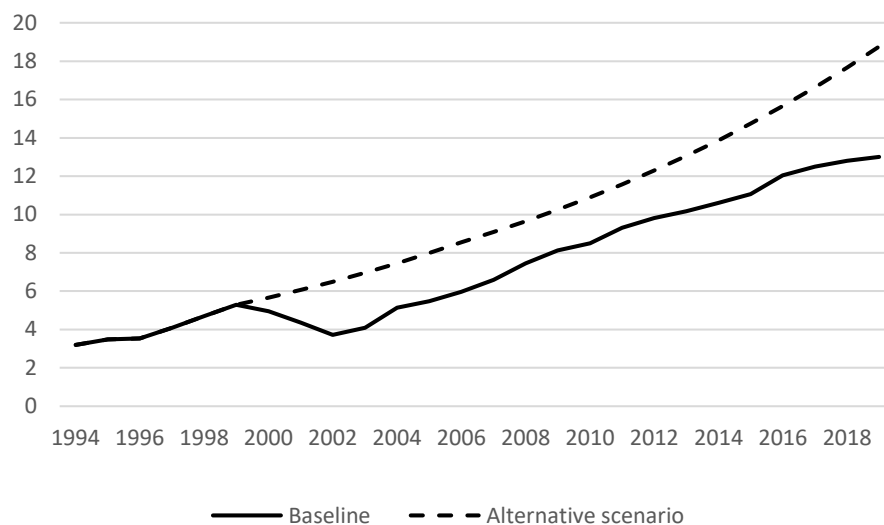
26. It should be stressed that this exercise is not aimed at answering the question, “What if there was no occupation?” Rather, it is designed to explore the implications and economic cost of the Israeli closures, restrictions and military operations that followed the outbreak of the second intifada by exploring what the situation could have been, had those events not occurred.

27. A counterfactual growth scenario was constructed, on the basis of the growth rate in the West Bank in the period prior to the second intifada (1995–1999) and the period that followed (2007–2019), for the period 2000–2006. That alternative scenario presumes that, between 2000 and 2003, the 29.5 per cent contraction of the West Bank regional economy did not occur, nor did the economic rebound of the three years that followed. Instead, it is assumed that, in the period 2000–2006, the economy grew at the compounded annual rate of 7.1 per cent, which was the average annual growth rate for the periods 1995–1999 and 2007–2019.

Figure III

West Bank: real gross domestic product, under baseline and alternative scenario

(Billions of constant 2015 United States dollars)



Source: Palestinian Central Bureau of Statistics, national accounts data; UNCTAD calculations.

Table 1
West Bank: estimated GDP and GDP per capita losses under baseline and alternative scenario

Year	<i>Real GDP</i> (millions of constant 2015 United States dollars)			<i>Percentage difference</i>	<i>Real GDP per capita</i> (constant 2015 United States dollars)		
	<i>Baseline</i>	<i>Alternative scenario</i>	<i>Difference</i>		<i>Baseline</i>	<i>Alternative scenario</i>	<i>Difference</i>
2000	4 958	5 661	703	14.2	2 866	3 272	406
2001	4 366	6 064	1 698	38.9	2 456	3 411	955
2002	3 725	6 496	2 771	74.4	2 040	3 558	1 518
2003	4 091	6 958	2 868	70.1	2 181	3 710	1 529
2004	5 129	7 454	2 325	45.3	2 662	3 868	1 207
2005	5 469	7 985	2 516	46.0	2 759	4 028	1 269
2006	5 962	8 553	2 591	43.5	2 923	4 193	1 270
2007	6 588	9 086	2 499	37.9	3 139	4 329	1 191
2008	7 451	9 653	2 201	29.5	3 471	4 496	1 025
2009	8 126	10 254	2 128	26.2	3 703	4 672	970
2010	8 496	10 894	2 398	28.2	3 788	4 857	1 069
2011	9 306	11 573	2 267	24.4	4 063	5 052	990
2012	9 810	12 294	2 484	25.3	4 195	5 257	1 062
2013	10 172	13 060	2 888	28.4	4 262	5 473	1 210
2014	10 610	13 874	3 264	30.8	4 359	5 699	1 341
2015	11 072	14 739	3 667	33.1	4 461	5 938	1 477
2016	12 046	15 658	3 612	30.0	4 761	6 189	1 427
2017	12 506	16 634	4 128	33.0	4 851	6 452	1 601
2018	12 797	17 671	4 873	38.1	4 854	6 703	1 849
2019	12 999	18 772	5 773	44.4	4 823	6 964	2 142
Cumulative	165 679	223 333	57 654	34.8			

Source: Palestinian Central Bureau of Statistics, national accounts data; UNCTAD calculations.

28. The results shown in figure III and table 1 suggest that the loss of potential GDP reflected by the counterfactual scenario is significant, in the sense that per capita output would have been significantly higher than it actually was. Under the alternative scenario, during the period 2000–2019, annual West Bank GDP would have been, on average, 35 per cent higher as compared with the observed (baseline) scenario, leading to a cumulative loss in potential real GDP of \$57.7 billion (constant 2015 United States dollars), which is equivalent to four and a half times the 2019 GDP of the West Bank and three and a half times the 2019 GDP of the occupied Palestinian territory.

29. Without the tighter Israeli restrictions, stricter closure policy and military operations following the outbreak of the second intifada, it is estimated that the West Bank GDP per capita would have been \$2,142, or 44 per cent, higher than it was in the baseline scenario in 2019 (see table 1). It is important to stress that the above results are only estimates of lost potential GDP, they do not include the cost of damage and destruction of assets by the Israeli military operations and other measures.

IV. Estimated poverty cost of occupation

30. This section provides an assessment of the deterioration in the welfare and living conditions of Palestinians in the West Bank as a result of the tighter restrictions that Israel imposed on the West Bank after the second intifada. Using the Palestinian Central Bureau of Statistics household survey data and census data, the poverty headcount, poverty gap and minimal cost of eliminating poverty were estimated for the period 1998–2017.²⁰

31. To evaluate the impact of the Israeli restrictions, poverty indicators are also estimated under the assumption that those restrictive measures had not been imposed, as in the counterfactual growth scenario described above. For the following analysis, the same terminologies and methodologies were applied as for the estimation presented by UNCTAD in its 2020 report to the General Assembly (A/75/310).

32. The poverty headcount is defined as the proportion of households living below the poverty line.²¹ Headcounts do not take into account the severity or depth of poverty, which is reflected by how far a given household falls below the poverty line. The poverty gap addresses that issue by adding the distance, in monetary terms, separating each household from the poverty line. The poverty gap therefore represents the average percentage shortfall of households relative to the poverty line.

33. The two poverty indicators were measured for selected years to assess the impact of the Israeli restrictive measures: (a) 1998, before the second intifada; (b) 2004, during the second intifada; (c) 2007, soon after the second intifada; and (d) 2017, more than a decade after the second intifada. As explained in the previous report (A/75/310), poverty indicators are estimated using two methods: the survey-based method and the empirical best prediction method. The latter improves the accuracy of poverty measures by combining information from expenditure and consumption surveys with the large sample available from census data.

A. Poverty in the West Bank²²

34. Using the relatively smaller household survey data set, the mean expenditure per adult equivalent²³ and the poverty line of 60 per cent of the national median total household expenditures per adult equivalent²⁴ are calculated for 1998, 2004, 2007 and 2017. The problem with that poverty line, when assessing the evolution of poverty in the West Bank over time, is that the median level of income (and thus 60 per cent of that median level) fell systematically in the wake of the second intifada, as can be seen in table 2.

²⁰ A more detailed analysis of poverty in the West Bank is discussed in a forthcoming United Nations Conference on Trade and Development technical paper entitled, “The economic costs of the Israeli occupation for the Palestinian people: arrested development and poverty in the West Bank”.

²¹ Including all cash and in-kind assistance provided to households by the government and non-governmental agencies.

²² The methodology and definitions used are discussed in detail in *The Economic Costs of the Israeli Occupation for the Palestinian People: the Impoverishment of Gaza under Blockade* (United Nations publication, 2020).

²³ According to the Organization for Economic Co-operation and Development (OECD) and the World Bank, “adult equivalent” is defined as follows: $(1 + (\text{number of adults} - 1) \times 0.8 + (\text{number of children} \times 0.5))$. The Palestinian Central Bureau of Statistics uses a slightly different definition, namely: $((\text{number of adults} + 0.46 \times \text{number of children})^{0.89})$. Using adult equivalent terms, rather than per capita terms, reflects a more accurate picture of poverty, because household structures are highly heterogeneous, with different numbers of adults and children, who have different consumption requirements.

²⁴ This measure is used by the European Union, OECD, the United Nations Children’s Fund and the United Nations Development Programme. See also https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate.

35. Using this method, only the level of poverty relative to each year's income distribution is considered, and not the precipitous fall in absolute living standards engendered by the restrictive Israeli measures. It is therefore not surprising that, using the above definition, the poverty rate and the poverty gap remained roughly constant. In contrast, when the 1998 poverty line (\$176) was used, the evolutions of the poverty headcount and poverty gap differed greatly, as they correctly reflected the fact that the additional restrictive measures imposed after the second intifada led to a drastic fall in living standards in the West Bank.

Table 2

West Bank: mean expenditures and 60 per cent of median expenditures per adult equivalent

(Constant 2015 United States dollars)

<i>Year</i>	<i>Mean expenditures per adult equivalent</i>	<i>Poverty line (60 per cent of median expenditures per adult equivalent)</i>
1998	410	176
2004	284	118
2007	335	122
2017	453	195

Source: UNCTAD calculations.

1. Survey-based method

36. The survey-based method directly uses the sample data in the Palestinian expenditures and consumption surveys to calculate the relationship between total expenditure per adult equivalent and individual, household and location characteristics in the survey. The survey samples indicate that the percentage of households in the West Bank living below the corresponding year's poverty line was 11.6 in 1998, 15.2 in 2004, 13.5 in 2007 and 13.7 per cent in 2017. Similarly, the poverty gap remained stable over time, between 2.8 and 4.0 per cent in the selected years.

37. Nevertheless, when the poverty line was kept at its 1998 level (see table 3), the poverty rate increased from 11.6 per cent in 1998 to 35.4 per cent in 2004, following the introduction of the post-intifada restrictions. It declined slightly, to 30.2 per cent, in 2007, but only returned to its pre-second intifada level 20 years later, in 2017. The poverty gap quadrupled, from 2.8 per cent in 1998 to 11.0 per cent in 2004, and only returned to its 1998 level in 2017.

38. The Gini coefficients generated from survey data also indicate that the impact of the Israeli restriction was more severe on the poorer segments of the population. This, in turn, led to an increase in inequality after the second intifada.²⁵ The Gini coefficient increased from 0.325 in 1998 to 0.362 in 2004, and again to 0.393 in 2007, before declining to 0.336 in 2017. Thus, it took 20 years for inequality to return to its 1998 level.

2. Empirical best prediction method

39. To mitigate the potential inefficiency of estimating of poverty indicators using the small sample from the survey-based method, the empirical best prediction method

²⁵ The Gini coefficient is a measure of the inequality of income distribution in a society. It equals 0 when income distribution is perfectly egalitarian and 1 when inequality reaches its maximum level.

combines the survey data with much more extensive census data.²⁶ Explanations concerning the empirical best prediction method and the underlying regression analysis are presented in the annex to the present report.

40. As with most countries, Palestinian census data do not include information on household consumption, expenditures or income. However, through the Palestinian expenditures and consumption surveys of 2004, 2007 and 2017 and the censuses of 2007 and 2017, data are compiled on a relatively broad set of common variables, including location (whether a household lives in an urban or rural area or in a refugee camp); characteristics of the household head (such as educational attainment); demographic characteristics of the household; sector of employment; employment status; access to basic services, such as public water; characteristics of the dwelling; and household assets.

Table 3
West Bank: poverty headcount and poverty gap

Year	Poverty headcount		Poverty gap	
	Survey-based	Empirical best prediction	Survey-based	Empirical best prediction
<i>Poverty line = 60 per cent of the median level of expenditures per adult equivalent for each year</i>				
1998	0.116		0.028	
2004	0.152	0.212	0.040	0.061
2007	0.135	0.188	0.034	0.054
2017	0.137	0.195	0.034	0.050
<i>1998 poverty line</i>				
1998	0.116		0.028	
2004	0.354	0.407	0.110	0.143
2007	0.302	0.352	0.090	0.120
2017	0.103	0.153	0.025	0.037

Source: UNCTAD calculations.

41. As shown in table 3, the poverty headcount and gap measured using the empirical best prediction method are approximately 6 percentage points higher than their survey-based counterparts. The poverty headcounts using the empirical best prediction method in 2004, 2007 and 2017 are estimated at 21, 19 and 20 per cent, respectively. Concomitantly, the measure of the poverty gap in the West Bank using the empirical best prediction method is higher than the survey-based method by about 2 percentage points in each of those years.

42. However, when the 1998 poverty line of \$176 is used, the evolutions of the poverty headcount and the poverty gap are completely different, and it becomes clear that the tighter restrictions, imposed following the intifada by the occupying Power, led to a substantial increase in poverty. As shown in the bottom half of table 3, by holding the poverty line at its 1998 level, the poverty rate increased from 11.6 per cent in 1998 to 40.7 per cent in 2004, and was still at 35.2 per cent in 2007. It only returned to its pre-second intifada level 20 years later, in 2017. The poverty gap was nearly two and half times higher in 2004 using the 1998 poverty line, reaching 14.3 per cent, and also only returned to its 1998 level in 2017.

²⁶ See Chris Elbers, Jean O. Lanjouw and Peter Lanjouw, "Micro-level estimation of poverty and inequality", *Econometrica*, vol. 71, No. 1 (January 2003); and Isabel Molina, J.N.K. Rao and Gauri Sankar Datta, "Small area estimation under a Fay-Herriot model with preliminary testing for the presence of random area effects", *Survey Methodology*, vol. 41, No. 1 (June 2015).

B. Estimated post-second intifada poverty cost of restrictions and closures in the West Bank

43. The minimum cost of eliminating poverty is equivalent to the least monetary aggregate of annual lump-sum transfer needed to lift all households up to the poverty line. It is calculated as follows:

$$\text{minimum cost of eliminating poverty} = \text{poverty gap} \times \text{poverty line} \times 12 \text{ months} \times \text{number of adult equivalents per household} \times \text{number of households.}$$

Using the poverty gap estimated by the empirical best prediction method (see table 3), the minimum real cost of eliminating poverty in constant 2015 United States dollars in the West Bank in 1998, 2004, 2007 and 2017 was calculated and is reported in table 4.

44. Following the tighter closures and restrictions imposed by Israel after the second intifada, the annual minimum real cost of eliminating poverty in the West Bank increased nearly fivefold between 1998 and 2004, from \$73 million (constant 2015 United States dollars) to \$356 million, reaching \$428 million in 2007 (almost six times the minimum cost in 1998). The difference between the 1998 minimum cost and that of the years that followed is a measure of the cost of the Israeli measures in terms of poverty. As presented in table 4, that difference was equivalent to more than 5 per cent of the West Bank GDP in 2004 and 2007. Some 17 years after the second intifada, the percentage difference was 0.7 per cent of the GDP, which reflects the long-lasting effects of the restrictive Israeli measures.

Table 4

West Bank: minimum annual cost of eliminating poverty

(Millions of constant 2015 United States dollars)

Year	Minimum cost	Percentage of West Bank GDP	Difference as compared with 1998	Percentage of West Bank GDP
1998	73	1.6	–	–
2004	356	6.9	283	5.5
2007	428	6.4	355	5.3
2017	162	1.3	89	0.7

Source: UNCTAD calculations.

V. Impact of the economic cost of occupation on poverty in the West Bank

45. The question of what the poverty rate and poverty gap would be had the tighter Israeli restrictions, stricter closure policy and military operations not been imposed following the outbreak of second intifada is addressed in this section. The answer is determined by estimating the poverty indicators associated with growth rates of the West Bank regional economy in the counterfactual scenario set out in table 1.

46. The device used for answering that question is the growth incidence curve,²⁷ which offers a transparent way to understand changes in the distribution of household expenditures over time. The mean growth rate of household expenditures is a useful indicator, but does not provide any idea about how different categories of households have benefited, or not benefited, from increases in average expenditures. If growth is pro-poor, a given mean increase in household expenditures per adult equivalent

²⁷ The growth incidence curve was first introduced in Martin Ravallion and Shaohua Chen, "Measuring pro-poor growth", *Economics Letters*, vol. 78, No. 1 (January 2003).

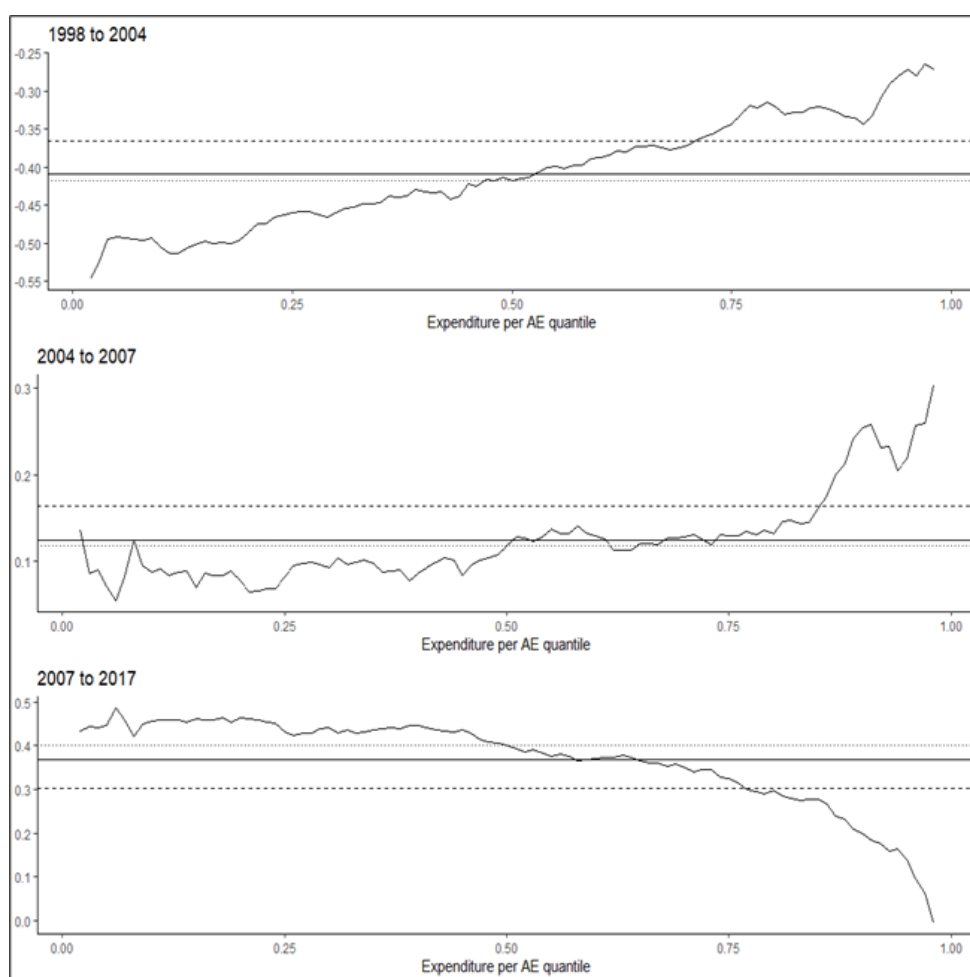
should benefit poor households more than non-poor households. Graphically, pro-poor growth corresponds to a growth incidence curve that is above the mean level of growth for lower quantiles of the expenditure distribution, and below it for higher quantiles, leading to a downward-sloping curve (see figure IV).

47. The immediate effect of the tighter Israeli closures and restrictions imposed on the West Bank after the second intifada was more severe for the poorer segments of the population, as illustrated by the upward sloping nature of the top two growth incidence curves shown in figure IV. It was only after the restrictive measures were somewhat relaxed in the past decade that growth in the West Bank became relatively pro-poor (bottom growth incidence curve in figure IV).

Figure IV

West Bank: growth incidence curves, 1998–2004, 2004–2007 and 2007–2017

(Percentage change in total household expenditures)



Source: UNCTAD calculations.

Note: The growth incidence curve plots the distribution of households' expenditure per adult equivalent over the entire population: the horizontal axis represents each quantile of the distribution, and the vertical axis measures the percentage change in the total household expenditures of each quantile over the analysis period. The horizontal solid line in each of the above graphs represents the mean growth rate of household expenditures per adult equivalent, and the dotted line and the dashed line represent growth at the mean and median, respectively. Any quantile of the population that benefited more than the mean will be on the curve above the horizontal solid line; any quantile of the population that benefited less than the mean will be on the curve below that line. A pro-poor growth therefore corresponds to a downward-sloping curve.

Abbreviation: AE, adult equivalent.

48. The counterfactual poverty headcount and poverty gap were estimated by applying the economic growth rate of the counterfactual scenario (see table 1), the survey-based method and the monthly poverty line of 1998, namely, \$176 per adult equivalent (constant 2015 United States dollars). For 2004, it was assumed that the relative growth of each household's expenditures per adult equivalent would have followed that of the 1998–2004 growth incidence curve. For 2017, in order to ascertain what might have happened had a more pro-poor growth pattern been obtained, it was assumed that the relative growth of each household's expenditures per adult equivalent would have followed the 2007–2017 growth incidence curve for the entire 1998–2017 period.

49. The results are in line with the previous analysis: the counterfactual poverty rate in 2004 would have been 11.7 per cent, in contrast to the actual rate of 35.4 per cent. Similarly, the poverty gap in the counterfactual scenario would have been 4.8 per cent instead of the recorded 11.0 per cent (see table 5). For 2017, the counterfactual poverty rate would have been 6.0 per cent instead of 10.3 per cent, and the poverty gap would have increased slightly, to 4.5 instead of 2.5 per cent.²⁸

Table 5
West Bank: poverty headcount and poverty gap under baseline and alternative scenario

Year	Poverty headcount		Poverty gap	
	Survey-based scenario (baseline)	Alternative scenario	Survey-based scenario (baseline)	Alternative scenario
<i>1998 poverty line</i>				
1998	0.116		0.028	
2004	0.354	0.117	0.110	0.048
2017	0.103	0.060	0.025	0.045

Source: UNCTAD calculations.

50. The clear finding is that the post-second intifada closure policy and restrictions thwarted West Bank economic expansion and led to massive losses in inhabitants' livelihoods, in particular for households living below the 1998 poverty line.

VI. Conclusions and recommendations

51. The tighter closures and restrictions imposed by Israel on the West Bank after the second Palestinian intifada have aggravated the economy's deep-seated and structural weaknesses and vulnerability to internal and external shocks. This is manifested by volatile economic growth, chronic fiscal and external deficits and persistently high unemployment and poverty rates. Not only did those measures have harmful short-term effects, but, more importantly, they also had long-lasting impacts that continue to constrain the regional economy of the West Bank until today.

52. The West Bank regional economy experienced two decades of jobless growth, with the unemployment rate averaging 18 per cent between 1995 and 2019. Without employment in Israel and its settlements, the unemployment rate would have been 16 percentage points higher, at par with the extremely high rate in the Gaza Strip,

²⁸ The reason for the slight increase in the 2017 counterfactual poverty gap is that most of the poor households that moved above the poverty line were not actually far below it; only those who were actually very far below the line remained poor in the counterfactual scenario.

which has been under closure since 2007. The cumulative economic cost of the tighter Israel restrictions during the period 2000–2019 is estimated at \$58 billion (constant 2015 United States dollars), equivalent to four and a half times the size of the regional economy of the West Bank, or three and a half times the size of the entire economy of the occupied Palestinian territory in 2019.

53. In terms of poverty, the impact of the tighter Israeli restrictions was severe and long-lasting, especially for the poorer segments of the population in the West Bank, who were less able to benefit from the economic recovery after the second intifada until 2007. Without the tighter Israeli restrictions imposed after the second intifada, the poverty rate in the West Bank would have been equal to 11.7 per cent in 2004, instead of 35.4 per cent, while the poverty gap would have been equal to 4.8 per cent instead of 11.0 per cent. Furthermore, the real minimum cost of eliminating poverty in the West Bank jumped from \$73 million (constant 2015 United States dollars) in 1998 to \$356 million in 2004, and \$428 million in 2007.

54. Member States may wish to consider the following:

(a) Terminating and reversing the evolving and cumulative cost of the Israeli occupation for the Palestinian people cannot be realized without ending the occupation, in line with the relevant United Nations resolutions;

(b) The fulfilment of paragraph 9 of General Assembly resolution [75/20](#) requires the establishment, within the United Nations system, of a systematic, evidence-based, comprehensive and sustainable framework to assess the costs of occupation and report the results to the Assembly. The establishment of such a framework will require securing additional resources (see [A/71/174](#), paras. 2, 10 and 35; and [A/73/201](#)).

55. Israel, as the occupying Power, should:

(a) Enable the Palestinian public and private sectors to develop agricultural, industrial, commercial and mining business in Area C (at least 60 per cent of the area in the West Bank), which contains the most valuable natural resources, including fertile land, minerals, stones and tourist attraction sites in the occupied Palestinian territory;

(b) Lift all the mobility restrictions in the occupied Palestinian territory and re-establish the contiguity of the territory by reconnecting East Jerusalem and all the cities and villages in the West Bank and the Gaza Strip with each other. Gaza is, and must remain, an integral part of a future Palestinian State as part of a two-State solution. The focus must be on lifting the debilitating closures in Gaza, in line with Security Council resolution [1860 \(2009\)](#) and, ultimately, returning to a peace process that will end the occupation and create a viable two-State solution;

(c) End and reverse all settlement activities in the occupied Palestinian territory, including East Jerusalem, as called for by the Security Council in its resolution [2334 \(2016\)](#), in which it reaffirms that the establishment by Israel of settlements in the occupied Palestinian territory, including East Jerusalem, has no legal validity and constitutes a flagrant violation under international law.

56. The State of Palestine may wish to consider implementing pro-poor and inclusive growth strategies that target the poor and involve large-scale investment in employment-intensive sectors, so as to reduce poverty and generate sufficient decent job opportunities in the domestic economy and, consequently, reduce dependence on the precarious employment situation in Israel and its settlements.

57. The Palestinian people's right to statehood cannot be replaced by humanitarian and economic assistance, essential as these may be in the interim. The United Nations will continue to work towards the realization of a just, lasting and comprehensive peace in the Middle East on the basis of relevant United Nations resolutions, including resolutions [242 \(1967\)](#), [338 \(1973\)](#), [1397 \(2002\)](#), [1515 \(2003\)](#), [1850 \(2008\)](#), [1860 \(2009\)](#) and [2334 \(2016\)](#), an end to the occupation that began in 1967 and the

establishment of a sovereign, democratic, viable and contiguous Palestinian State, existing side by side in peace with a secure Israel. It is only by realizing the vision of two States living side by side in peace, security and mutual recognition, with Jerusalem as the capital of both Israel and the State of Palestine, and all final status issues resolved permanently through negotiations, that the legitimate aspirations of both peoples will be achieved.

Annex

Estimation of the empirical best prediction method

1. The empirical best prediction method follows three steps to estimate the poverty headcount and gap. First, data from the expenditures and consumption surveys are used to estimate regression equations for household expenditures per adult equivalent on the basis of the observable characteristics of households. Second, the estimated coefficients of the regressions are combined with the census data to impute household expenditures per adult equivalent for the larger sample of households included in the census.¹ Third, the imputed measures of household expenditures are used to recalculate the poverty headcount and poverty gap measures for each year. For the statistical relationship linking household expenditures per adult equivalent to the household characteristics to be estimated, this information must be available in both the survey data and the census data that constitute the basis for the estimation.

2. The table below shows the results of regressing log expenditures per adult equivalent (in constant 2015 United States dollars) on the set of standard covariates, at the national level. To maximize comparability between the synthetic income measures that will be constructed using census data and the estimated coefficients, a common set of covariates over the three sample surveys were maintained in the regressions for 2004, 2007 and 2017. There are three exceptions, namely: employment abroad in 2004; employment in Israel and the settlements in 2004; and access to electricity in 2017. Of course, the regressions should not be interpreted in causal terms.

Regression results: determinants of monthly real expenditures per adult equivalent

(Constant 2015 United States dollars)

Independent variables	Palestinian expenditures and consumption survey		
	2004	2007	2017
Intercept	4.991 (0.157) ^a	5.442 (0.462) ^a	5.641 (0.148) ^a
Location (West Bank and urban are the base categories)			
Gaza Strip	-0.120 (0.024) ^a	-0.414 (0.045) ^a	-0.408 (0.027) ^a
Rural	0.070 (0.025) ^b	-0.045 (0.044)	-0.053 (0.020) ^b
Camp	-0.012 (0.026)	-0.038 (0.052)	-0.016 (0.029)
Characteristics of household head			
Gender	0.102 (0.035) ^b	0.078 (0.061)	0.036 (0.031)
Marital status	0.072 (0.064)	-0.008 (0.130)	-0.019 (0.058)
Refugee status	-0.066 (0.021) ^b	-0.064 (0.038)	-0.032 (0.019)
Education level	0.066 (0.022) ^b	0.093 (0.039) ^c	0.064 (0.019) ^a
Demographic characteristics of household			
Number of females	-0.098 (0.006) ^a	-0.105 (0.011) ^a	-0.118 (0.007) ^a
Number of males	-0.087 (0.007) ^a	-0.077 (0.013) ^a	-0.089 (0.007) ^a
Number of adult males	-0.001 (0.009)	-0.002 (0.016)	0.003 (0.009)
Number of adult females	0.003 (0.011)	0.018 (0.021)	-0.008 (0.012)
Sector of employment (services are the base category)			
Agriculture	-0.142 (0.031) ^a	-0.110 (0.058)	-0.067 (0.036)

¹ To impute the household level of expenditure per adult equivalent for 2004, the estimated coefficients obtained from the regression using the Palestinian expenditures and consumption surveys from 2004 were combined with the data from the 2007 census, which covered a greater number of households.

<i>Independent variables</i>	<i>Palestinian expenditures and consumption survey</i>		
	<i>2004</i>	<i>2007</i>	<i>2017</i>
Industry	-0.039 (0.031)	0.012 (0.169)	-0.032 (0.030)
Construction	-0.079 (0.027) ^b	-0.019 (0.052)	-0.030 (0.027)
Employment status			
Number of employed household members	0.044 (0.011) ^a	0.066 (0.019) ^a	0.048 (0.011) ^a
Employment in Israel and the settlements		0.209 (0.058) ^a	0.166 (0.027) ^a
Employment abroad		-0.198 (0.199)	0.021 (0.127)
Employment in government	0.074 (0.027) ^b	-0.001 (0.048)	0.107 (0.025) ^a
Access to basic services			
Access to public water	0.013 (0.031)	-0.134 (0.059) ^c	-0.158 (0.027) ^a
Connection to sewage network	0.122 (0.021) ^a	0.146 (0.041) ^a	-0.023 (0.021)
Access to electricity	-0.085 (0.078)	0.027 (0.167)	
Characteristics of dwelling			
House ownership	-0.201 (0.034) ^a	-0.237 (0.050) ^a	-0.053 (0.023) ^c
Number of rooms	0.014 (0.006) ^c	0.049 (0.016) ^b	0.039 (0.012) ^a
Number of bedrooms	0.047 (0.014) ^a	-0.049 (0.029)	-0.007 (0.017)
Gas for cooking energy	0.136 (0.058) ^c	-0.148 (0.112)	0.026 (0.070)
Gas for heating	0.073 (0.023) ^b	0.031 (0.040)	-0.015 (0.021)
House has a kitchen	0.030 (0.103)	0.371 (0.344)	0.053 (0.115)
House has a bathroom	0.077 (0.085)	0.076 (0.325)	-0.067 (0.028) ^c
House has a toilet	-0.219 (0.107) ^c	-0.391 (0.328)	0.034 (0.020)
Household assets			
Car	0.199 (0.023) ^a	0.236 (0.040) ^a	0.379 (0.020) ^a
Refrigerator	0.119 (0.040) ^b	0.083 (0.085)	0.098 (0.052)
Boiler	0.014 (0.021)	0.109 (0.039) ^b	0.096 (0.018) ^a
Central heating	0.283 (0.068) ^a	0.323 (0.128) ^c	0.072 (0.078)
Vacuum	0.146 (0.027) ^a	0.097 (0.043) ^c	0.075 (0.020) ^a
Cooking stove	0.139 (0.086)	-0.030 (0.193)	0.025 (0.030)
Washing machine	0.079 (0.034) ^c	0.062 (0.068)	-0.057 (0.017) ^b
Home library	0.129 (0.024) ^a	0.151 (0.041) ^a	0.090 (0.026) ^a
Television	0.072 (0.042)	0.082 (0.082)	0.170 (0.019) ^a
Telephone line	0.204 (0.021) ^a	0.197 (0.038) ^a	0.072 (0.019) ^a
Computer	0.133 (0.022) ^a	0.155 (0.038) ^a	0.060 (0.019) ^b
Mobile telephone	0.214 (0.023) ^a	0.267 (0.051) ^a	0.191 (0.025) ^a
R ²	0.495	0.515	0.535
Adjusted R ²	0.489	0.498	0.530
Number of observations	3 089	1 223	3 708

Source: UNCTAD calculations.

Note: Standard errors are in parentheses.

Abbreviation: R², proportion of the variance for a dependent variable that is explained by an independent variable.

^a Where p-value is less than 0.001.

^b Where p-value is less than 0.01 but greater than 0.001.

^c Where p-value is less than 0.05 but greater than 0.01.