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PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE - MAS

## **Policy Brief**

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# **Methods to Address West Bank Cities' Economic Losses since the Start of the Gaza War**

The Palestine Economic Policy Research Institute (MAS) regularly publishes applied and scientific studies, in addition to brief research papers, as part of an annual series of roundtable sessions on important economic topics of interest to the public and decision-makers. The policy briefs outline the key recommendations of selected scholastic activities, in order to disseminate this information and maximize the benefits derived from this series of sessions.

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Methods to Address West Bank Cities' Economic Losses since the Start of the Gaza War

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## 1. Background

This policy paper outlines major economic losses and infrastructural damage to the city of Jenin, Jenin refugee camp, the city of Nablus, and the town of Huwara since the start of the War on Gaza. In tandem with sustained aggression across the West Bank, the Israeli occupation besieged Palestinian cities and villages, surrounding them with military checkpoints of various types and sizes. Their number rose from 567 checkpoints on October 7 (77 major checkpoints, 490 other checkpoints such as earth mounds, cement barriers, and iron gates), to about 700 checkpoints today.<sup>1</sup> This has been accompanied by an increase in the frequency of incursions and military operations, especially in the cities of Nablus and Jenin (as well as Tulkarem), leading to a significant decline in economic activity, especially retail and tourism (hotels- restaurants), both of which are considered economic backbones of the two cities. Nablus and Jenin are the largest cities (and governorates) in the northern West Bank in terms of area and population. Under normal circumstances, their economies are active, especially with the influx of thousands of Palestinians from across the Green Line every week for shopping and university studies. The two cities account for about 14,395 operating establishments, employing around 45,005 workers (35,121 male and 9,884 female). The combined total population of both cities is 204,977.

Jenin and its camp also witnessed intense military incursions before the start of the war on October 7. The city had not recovered from heavy losses incurred by sustained aggression; when the War started, its impact extended to the entire Jenin governorate, its refugee camp, and its civil and economic facilities. This led to the closure and disruption of many economic establishments and services, given weak sales largely caused by the cessation of shoppers from across the Green Line, who refrained from entering the governorate since the occupation closed checkpoints between Jenin governorate and Arab communities in Israel. This caused economic establishments (in Jenin city alone) to incur monthly losses estimated at approximately USD 24 million. In addition, sudden and repetitive incursions into the city and its camp led to a decline in the sales of basic goods by 65%, as locals feared visiting markets, in addition to their weak purchasing capabilities. This, in turn, led to dwindling incomes for numerous business owners. They incurred additional financial burdens due to strict restrictions imposed by the Israeli occupation on the entry of goods and their elaborate inspection, exposing many of these to damage.

Since October 7, the city of Nablus and its refugee camps have been subject to military and economic siege, with continuous aggression causing the death of dozens of Palestinians, and an almost complete halt to the movement of citizens to and from the city. From an economic standpoint, the city of Nablus is considered the economic capital of the northern West Bank. However, the reality is one of significant decline across various economic sectors in the city. It was once bustling with an active movement of shoppers and visitors from inside and outside the governorate, especially from Palestinians across the Green Line. An-Najah National University closed its campus and switched to e-learning for 25,000 students, about 20% of whom are local

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1. <https://www.arij.org/ar/latest-ar/road-westbank-in-gaza-war-ar/>

Palestinian students, constituting an important part of economic demand in the city, especially restaurants, transportation, and real estate. Since the beginning of the war (which has now lasted more than 100 days), purchasing power has declined by 90%, while 96% of establishments in the city have witnessed a decline in monthly sales and revenues.<sup>2</sup> This decline has also affected the industrial sector, considered one of the most important sectors in the city and part of its heritage. About 85% of industrial facilities witnessed a decline in their production, in addition to approximately 8% of industrial facilities that were damaged as a result of attacks by settlers and occupation forces, leading to their (partial or complete) closure.

In 2023, Huwara was subjected to a wave of attacks from settler militias who burnt down commercial and residential shops and vandalized property, in what was considered internationally a dangerous escalation, with calls for concern given the occupation's plans to expand its territory and further suffocate the already narrow Palestinian economic space. The cost of this aggressive attack was estimated at millions of dollars. The intensity of the occupation's violence and settlers' attacks on the town of Huwara has increased since the Gaza War commenced on October 7. The town is completely closed to Palestinian traffic. The majority of economic establishments were forced to close their doors, while the movement of the town's population, numbering about 6,650, was completely restricted.<sup>3</sup>

## 2. Challenges

The state of war creates weaknesses and distortions in the economic sphere, further complicated by the closure of the West Bank and restrictions on movement between cities. These elements constitute a major challenge for the Palestinian economy. The situation is not much different in other West Bank cities. The city expends its resources to restore what can be restored – in terms of economic activity and infrastructure, but this is insufficient to counter the magnitude of huge losses, requiring the intervention of the government, as well as the private and civil society sectors.

The situation is further complicated by the nature and size of Palestinian commercial and industrial establishments: most are small- and medium-sized enterprises. Resultantly, there are high levels of poverty in Palestinian cities among owners of small and micro businesses, which have witnessed a significant decline in monthly sales/revenues. Given low levels of income, individuals resort to financial savings to compensate for their loss of income. With the current political situation, it is difficult to foresee what will happen next; a state of uncertainty that will lead to a further increase in the poverty levels of Palestinian households. This scenario applies to the besieged cities of Nablus and Jenin. Their main entrances are closed, with additional checkpoints hindering the movement of the public and commerce. Transportation has become more expensive, in line with the price inflation of goods. This negatively affects purchasing power and likewise monthly revenues, with this same scenario repeating itself across all the West Bank's cities.

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2. <https://www.shfanews.net/post/156820>

3. <https://www.aljazeera.net/ebusiness/2023/11/21/>

### 3. Policy Responses/Plausible Interventions

The intervention framework is based on a partnership model, where responsibilities are divided across concerned parties, through a set of policies and interventions that will have positive economic and social impact. This covers government, the private sector and the civil-society sector, as detailed in MAS's background paper. With feedback from private-sector institutions in both cities, a set of policy recommendations emerged that could potentially reduce the negative impact of Israeli occupation on economic and social realities in these two cities.

1. The paper recommends shifting to a stage of confrontation and subsistence, or what is also known as a "war economy". This requires an in-depth diagnosis of differing local impacts across various governorates and regions, with relief, reconstruction and recovery planning targeting the most at-risk areas. This process must factor-in policy differences between West Bank cities and their specific reconstruction needs.
2. There is a need to integrate work streams across sectors, whether governmental, private, or civil-society. This integration is important in reducing the state of economic collapse, in light of the overall circumstances that prevail in the State of Palestine.
3. Devise a package of financial incentives and urgent interventions required from the government, as well as the private and civil-society sectors, in order to support the cities of the northern West Bank, especially Jenin and Nablus. They are no longer able, with their own resources solely, to confront daily sieges, incursions, and the systematic destruction of infrastructure.
4. Provide free health insurance to those who have secured employment after October 7, especially workers who were active in the Israeli labor market. This helps to preserve the safety of human resources, economically represented by the workforce.
5. Compensate individuals whose vehicles were damaged by the occupation and its settlers. Reconfigure the vehicle insurance system by urging insurance companies to include political damages in their policies in exchange for reduced fees, in light of the scale of economic decline.
6. University students in Jenin and Nablus are one of the most affected cohorts, in terms of their ability to access higher education institutions or pay tuition fees. Therefore, there is a need to strengthen the Student Support Fund at the Ministry of Higher Education, in order to provide the largest possible number of loans to needy students. Additionally, the government and large companies in Palestine ought to provide scholarships to students in these two cities.
7. A remedy has to be found for banking procedures related to bounced checks. Their number has increased significantly in the two cities since the war commenced. This could include canceling fees for bounced checks, or rescheduling loans across a more generous timeframe (taking into account the continuation of the war). Additional measures could include granting borrowers a grace period and charging low-interest rates.
8. Examine the proposals of the Palestine Monetary Authority (PMA), especially those related to giving easy loans to small enterprises, with reasonable guarantees.
9. Consider reducing tax and licensing fees imposed on the public and commercial transportation sectors: as the two sectors suffer from high operational costs as a result of the imposed barriers, waiting time, and taking sideroads that lack proper infrastructure, which impose additional burdens on the owners of both vehicles and trucks, whether in terms of maintenance or higher fuel consumption. It is highly important to provide subsidies and support to both transport sectors to enable them to withstand all the challenges imposed by the occupation on the external roads linking Palestinian cities.