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**PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)**

**Inequality in the Palestinian Context:  
Between Settler Colonialism and  
Public Policy Failure**

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Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

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- Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision makers.
- Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- Disseminating up-to-date socio-economic information and research results.
- Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
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## **Inequality in the Palestinian Context: Between Settler Colonialism and Public Policy Failure**

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## Foreword

Since its establishment, the Palestine Economic Policy Research Institute (MAS) has been examining aspects of Palestinian economic and social development, releasing a large body of materials on this issue, the most significant being the “Development Prospects in Palestine” report of 2021. This study complements MAS’s research efforts on issues concerning Palestinian development, its implications and methods for its fulfillment, as a means to enhancing the steadfastness of Palestinians, while providing a detailed exploration of the state of inequality in Palestine, across its various dimensions.

This new study formed part of MAS’s main research priorities for 2023. It addresses multi-dimensional inequality in Palestinian society, analyzing the structure and reality of inequality in the Palestinian situation from a comprehensive perspective. In this study, MAS examines the concept of inequality in Palestinian society and its various dimensions, going beyond inequality from the perspective of pure economics (income, expenditure, consumption, living standards), going beyond this to include inequalities in services (social protection, education, health, energy, water).

The study illustrates that the complex dimensions of inequality in the Palestinian context are the result of connectivity between Palestinian realities and their colonial context, which systematically and unsystematically undermine development structures, thereby destroying structures conducive to equality. However, inequality is also affected by the Palestinian government’s policies and

practices, and the extent of their effectiveness in reducing de-development and combating poverty, thereby eliminating inequality in light of the prevailing colonial context. Therefore, this study provides a set of recommendations to reduce the gap between individuals, while reducing the impact of inequality between individuals at numerous levels: public policy, labor market, social protection, health, education, water and energy services.

MAS thanks the research team for their efforts in preparing this study, particularly our two assistant researchers, Anmar Rafidi and Iman Saadeh, for their distinguished efforts in research and scientific analysis to this pioneering study. MAS also highly appreciates the responsiveness of relevant authorities and the time that they dedicated to providing data that was crucial to analyzing the reality of inequality across Palestinian society.

MAS also expresses its gratitude to the Arab Fund for Economic and Social Development for its continued support of the Institute, and for providing the necessary funding to prepare this - and numerous other - MAS studies.

Raja Khalidi  
Director General

## Executive Summary

Numerous local, regional, and global studies have examined the issue of inequality. However, all these studies, mostly at the regional and global levels, have focused on economic indicators, but neglected inequality in the context of social services, which keeps the inequality study in a limited not-inclusive framework. This study aims to set the foundations for studying the level and structure of inequality in the Palestinian context from an inclusive perspective. It analyzes the dimensions of inequality in the Palestinian context, not only from an economic perspective associated with income, poverty, consumption, and living standards but also from various development dimensions, including social protection, education, water, and energy services. The study is based on the analysis of inequality within these dimensions, considering the impact of the colonial context on inequality and overall development dynamics as well as the impact of the Palestinian public policies to confront it. The study is also based on the problem of possible achievement of development and reduction of inequality under the colonial context imposed on the Palestinian situation. It also shows that the Palestinian policies, despite their inefficiency, may contribute to the reduction of underdevelopment and thus inequality; however, they remain incapable of making development, reduce poverty, and enhance equality during the continued settler colonialism context. Therefore, genuine development requirements necessitate Palestinians' right to establish their independent state and enjoy their right to self-determination.

The study relied on the available literature, studies, and research as well as analyzing the data provided by official Palestinian sources to analyze the various dimensions of inequality, the impact of the

settler colonialism context on these dimensions, and the Palestinian government policies to address them. The study is also based on a comprehensive review of theories and literature on inequality, along with an analysis of data related to income, consumption, spending, wages, and other indicators provided by the Palestinian Central Bureau of Statistics (PCBS). Moreover, the study is based on collecting data on social services, such as social protection, education, health, energy, and water services, from relevant authorities, and analyzing them from the inequality perspective.

The study revealed that inequality in the Palestinian context is primarily linked to the settler colonialism context, which systematically and unsystematically undermines all Palestinian developmental structures, leading to the destruction of equality frameworks. Additionally, inequality itself is influenced by government policies and practices and their effectiveness in addressing underdevelopment, poverty, and inequality. Despite some improvements in public services and living standards for residents in the West Bank and Gaza Strip, the context of settler colonialism, including fragmentation in areas under the Palestinian Authority's control, hinders development and creates inequalities in the ability of all segments of society to access opportunities and services, depending on the place in which the individual in the West Bank and Gaza Strip lives. This geographic fragmentation and colonial authority policies have generated diverse realities and complex challenges in areas that do not have fair shares of human development, such as the besieged Gaza Strip, areas classified as "Area C," and refugee camps.

For decades, the Palestinian people have suffered the negative consequences of Israeli settler colonialism, which imposed punitive measures and systematic destruction of the economy and infrastructure. This situation has created a wide range of

challenges and difficulties across the political and economic landscape, ultimately reinforcing regional and service-based inequality as a result of policies of blockade, isolation, military barriers, and economic and financial policies imposed by the colonial authority on the Palestinians.

The study revealed that the policies and measures taken by the Palestinian Authority, despite their shortcomings, may contribute to mitigating underdevelopment and, consequently, inequality among different districts and social groups. However, they remain inadequate in fostering development, reducing poverty, and enhancing equality in the ongoing colonial context. Thus, any genuine development process that includes achieving fair distribution and access to resources and services is fundamentally linked to the Palestinians' right to self-determination and independent state.

The study highlighted that challenges arising from weak public policies are associated with an imbalance in the distribution of resources among different sectors, especially in terms of insufficient financial allocations from the public budget for basic services. Consequently, social and economic inequality rises, which requires the development of developmental and financial policies sensitive to basic services in the most marginalized areas and vulnerable groups which would help reduce the state of inequality.

Moreover, the study clearly revealed that inequality in the Palestinian context is not only linked to economic indicators (such as poverty, income, and wages) but also to all developmental dimensions, including social protection, education, health, energy, and water services. Therefore, reducing inequality in the Palestinian context requires a comprehensive approach that focuses on all developmental dimensions without being limited to economic ones only.



## **Recommendations:**

### **At Public Policies Level:**

- Reevaluate the allocations of the public budget to prioritize vital sectors, increasing the share of ministries providing essential services such as education, health, social development, water, and energy.
- Implement tax reforms by imposing a fair share of taxes on large companies, given their current tax exemptions and incentives that guarantee financial stability in the Palestinian Authority's budget without affecting already high service prices which is inconsistent with the level of wages in the Palestinian market. Such profits should be redirected towards improving wages for public sector workers or employing further labor force through investment and government projects that would contribute to a more just distribution of economic growth revenues.
- Adopt a responsive public budget that addresses the needs of marginalized areas, especially the Gaza Strip and "Area C." This budget should be sensitive to gender and marginalized groups and consider their interests through increasing government spending on service sectors such as health and education, as well as youth and women employment programs. This would help reduce the gap in access to these essential services by vulnerable groups. Lack of jobs, education, inadequate housing, and access to services constitute the highest ratio of multi-dimensional poverty reasons.
- Enhance the role of the private sector and large corporations in supporting governmental initiatives to address economic and social inequality. This involves integrating them into the governmental agenda and directing the private sector to work within specific interventions aimed at combating inequality to ensure the social responsibility of such corporations.

### **At Labor Market Level:**

- Implement appropriate policies to address imbalances in the labor market and ensure increasing the Palestinian women's participation rate and wage equality between males and females in the labor market.
- Enhance political representation and genuine participation of women in decision-making positions within governmental bodies, civil society organizations, trade unions, and other entities, which would contribute to the formulation of policies representing their interests and promoting gender equality.
- Literature indicates that higher growth rates do not necessarily imply increased inequality in growth distribution. Consequently, the government bears the responsibility of implementing policies that enhance income equality, ensuring that the economic growth revenues are reflected not only in capital profits, interests, and revenues but also in reducing unemployment rates and increasing wages.
- Increase compliance with the implementation of the minimum wage, as approximately 40% of private sector workers still receive less than the minimum wage.

### **At the Social Protection Level:**

- In light of recent experiences, including the impact of the COVID-19 pandemic on workers and marginalized groups, and the current effects of the Israeli aggression on the Gaza Strip, which significantly slowed down the cycle of the economy, there is a need for a social protection law to protect the poor, marginalized groups, and those at risk of losing their income sources due to similar circumstances. Such a law should ensure fair income distribution and the right to access various services, thus reducing the consequences of inequality as the

most affected in these circumstances are those who are most vulnerable, which was proved by world experiences.

- Begin implementing a multi-dimensional poverty reduction strategy issued by the Ministry of Social Development in 2022, in which it identified the goals to reduce economic and social poverty. This will alleviate the suffering of marginalized and deprived groups and help narrow the gap between the rich and the poor in accessing the minimum fundamental rights like education, health, and food.
- Increase the budget of the Ministry of Social Development and support programs aimed at shifting from relief to development to eradicate inequality fundamentally and provide the necessary resources through tax reforms.
- Develop multi-dimensional policies to reduce inequality in all dimensions to have a more equitable society in general. It is important to connect the concept of transitioning from relief to development with other vital sectors whose weakness will cause individuals, in one way or another, to be in need of social protection. Among these sectors is the employment sector overseen by the Ministry of Labor, and the Ministry of Economy to ensure the building of a Palestinian economy capable of hiring workers and reducing the number of unemployed.
- Increase the budget for cash transfer programs and link the value of transfers to the cost of living in Palestine in order to ensure that these aids cover the basic needs of Palestinian families in addition to food, water, and electricity. It is necessary to reform cash transfer programs by addressing the problem of coverage shortage for all poor families and the coverage of some non-poor ones.
- Implement the Social Security Law, which, when applied, will bring about transformations in the labor market. This includes increasing compliance with the minimum wage law and formal registration, after necessary reforms to the current draft on

which various civil and community-based entities provided feedback for improvement. This would reduce the gap between formal and informal employees in the private sector and employees in the public sector who enjoy higher social protection and retirement benefits compared to those who do not have such benefits in the private sector.

### **At Health Level:**

- Reallocation of a larger portion of the Ministry of Health's budget to pharmaceutical manufacturing items and the provision of unavailable health services in order to reduce drug imports, thus making them available at affordable prices for everyone. Additionally, this approach can alleviate the high costs of medical transfers and contribute to the development of the health sector to make it more comprehensive, either by supporting the hospitals financially to reduce treatment costs or by establishing centers, clinics, and pharmacies on a broader geographical scale.
- Making health insurance mandatory for all residents to enhance their ability to access and receive health services. Mandatory health insurance increases the capacity of the health sector to provide more advanced health services and provides greater financial resources for the health sector to be invested in its development.

### **At Education Level:**

- Increase the allocation of funds for kindergarten programs from the education budget and expand the presence of government kindergartens, especially in the most marginalized areas, which will enhance the ability of children in these areas to enroll in preschool education.

- Increase allocations for higher education and raise government support to ensure equal opportunities for all students, especially the poor, to enroll in universities.
- Invest in education and training to reduce inequality by providing people with the skills and opportunities needed to succeed in the modern economy, especially in light of rapid advancements in artificial intelligence. Employment status, among other factors, is a major cause of income and consumption inequality.

### **At the Water and Energy Services Level:**

- Link the minimum wage to the cost of living in line with the prices of provided services, taking into account the expenditure and consumption rates to prevent services from becoming a financial burden on citizens. Consumer Protection Associations and the Palestinian Authority should play a larger regulatory role over service providers in both the private and non-profit sectors.
- Amend the item of allocations for housing and local community affairs in the upcoming citizen's budget to provide water for all citizens based on the principles of the right to water and health.