



Palestine Economic Policy Research Institute (MAS)

POLICY BRIEF

**THE ISRAELI CIVIL ADMINISTRATION'S ECONOMIC INTERVENTIONS IN THE
OCCUPIED WEST BANK¹**

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

This Brief is based on the background paper prepared for the second MAS 2021 roundtable session and subsequent discussion by experts.

<https://www.mas.ps/files/server/20210104144702-2.pdf>

¹ This session, policy brief and background paper were funded by the Heinrich-Böll-Stiftung (HBS)

1. Background

In recent years, the Israeli Civil Administration has been trying to unilaterally disavow the provisions of the Oslo Agreement and its annexes, gradually imposing itself as an alternative to the Palestinian National Authority (PNA) and its Ministries. The Civil Administration has expanded the remit of its direct communications with large sections of the Palestinian citizenry in the West Bank. The Israeli occupation's control over the system of permits and movement, crossings, agricultural lands in Area C, import/export mechanisms and energy sources (electricity and water), allows it to impose itself as an indispensable entity to the continuity of Palestinian economic activity. The Civil Administration is also trying to establish direct relations with farmers, merchants, businessmen and workers, operating as a primary reference point and overriding the institutions of the PNA, presenting itself as an alternative provider of facilities and services.

In the agricultural sector, for example, the Civil Administration undertakes large-scale agricultural projects on Palestinian land, providing finance, technical assistance and marketing services. Cultivated Palestinian lands supervised by the Civil Administration amount to tens of thousands of dunums, focusing on high-value commodities such as pineapples, avocados, dates, cucumbers, berries, and fisheries. Similarly, concerning the industrial sector, the Civil Administration offers special programs through which it lures the private sector in order to consolidate their dependence on the Israeli economy. This includes accelerated export services (door to door), the granting of quality certificates and integrating Palestinian exporters with the Israeli tax system. In the employment sector, the Civil Administration has turned into the largest intermediary for the employment of workers through its electronic platform (a prerequisite for obtaining a work permit), in addition to other programs targeting workers.

2. The Primary Challenge

Given the role of the Civil Administration in the economic life of Palestinians, it has become clear that direct communications between the Civil Administration and the Palestinian citizenry are expanding. In some cases, the Civil Administration provides economic incentives and facilities that prompts citizens to cooperate willingly with it. On other occasions, the citizen has no choice but to cooperate with the Civil Administration, given its control over the pillars of economic life in the West Bank. The Civil Administration took advantage of the Corona pandemic and the suspension of civil coordination with the PNA in 2020 to move ahead gradually with its plan to marginalize the role of the Palestinian Liaison Office and the Civil Affairs Authority. Twenty-eight years after the establishment of the PNA, and after 10 years of intensive efforts to establish the legitimacy of the State of Palestine in international forums, the Israeli Civil Administration is behaving as if nothing has changed, exercising total control over the fate of the Palestinian people. It is disturbing to witness this expansion and modernization of Israeli colonial control over all aspects of Palestinian life, completely ignoring the functions of the PNA according to signed agreements and undermining its policies to break away from colonial dependency on the Israeli economy.

The Civil Administration's projects and programs, in terms of establishing direct relations with Palestinians, meet the urgent, individual needs of Palestinians, despite their negative macroeconomic repercussions. In other words, Palestinians would not be responsive to the Civil Administration's interventions, if these interventions did not correlate with basic economic needs, interests and gaps in various economic sectors in the West Bank, which are not met by services and programs provided by the PNA institutions. However, the goal of the Civil Administration is not to build a strong, independent and sustainable Palestinian economy, but rather, to annex certain priority Palestinian sectors to the occupation's economy, based on an uneven balance of power.

3. Required Policies and Interventions

Even though there is a clear imbalance of power in favor of the Civil Administration (which controls borders, crossings, import/export mechanisms, Area C lands and other vital economic assets), it is possible to prevent the development of direct relations between the Civil Administration and Palestinians. This can be done by exercising control via the official institutions of the PNA, according to its vision of an independent national economy. Attempts to confront the Civil Administration's interventions, expose its long-term goals, and urge citizens not to respond to them, must be accompanied by a Palestinian official and civil society plan, to provide alternatives to the economic needs that are currently met by the Civil Administration.

3.1 The Political-Diplomatic Domain

Some international organizations and bodies that are considered major players in the Palestinian arena, deal with the Civil Administration as a legitimate body in parallel to the PNA, and not as an occupying power. This is evidenced by the material and logistical support provided by some international bodies for economic projects offered by the Civil Administration, that aim to establish direct relations with Palestinians (for example, the 'Door to Door' program funded by the Office of the Quartet and USAID). The PNA can use its diplomatic channels to change the tripartite relationship between international organizations, the Civil Administration and Palestinian citizens. For example, international organizations and donors can be pressured to demand that programs must be implemented in close coordination with the PNA, where the role of the Civil Administration is limited to technical issues, without assuming responsibility for planning. Herein, 'technical issues' refer to working with the Civil Administration on matters such as access to Area C, crossings, bridges, and permits, which are controlled by the Civil Administration. However, this does not entitle the Civil Administration to operate as the planner of Palestinian economic programs.

3.2 Governmental Economic Policies

The PNA implements several cluster-based programs and plans (some annual and some multi-year), working with productive sectors in order to strengthen the Palestinian economy and enhance the status of Palestinian economic players. Most of these programs focus on the success of economic interventions, the employment of unutilized labor, and securing new sources of income. While these programs are important, they neglect one of the important

pillars of the Palestinian economy, which is the issue of dependency on the Israeli economy. For example, most of the major industries channel their products to the Israeli market, necessitating passage through Israeli commercial crossings. This means that the relationship with the Israeli economy is a very broad one, and that every Palestinian product must pass, in some stage of its production, through the channels of the Civil Administration.

In this context, the role of the PNA must include mechanisms to control this inevitable relationship between the citizenry and the Civil Administration, through:

- Activating the role of the Palestinian Crossings and Borders Authority, to include export mechanisms to the Israeli market. This role could commence with the coordination of logistics for the transportation of goods, allowing this Authority to become the only gateway to accessing Israel. In 2005, Israel rejected the presence of the Crossings and Borders Authority at commercial barriers. However, this refusal was not followed by an alternative Palestinian plan to monitor export logistics.
- Activating the role of the Customs Authority to include exports, as its role is currently confined to imports.
- Introducing proper procedures governing the work of tax offices and mechanisms for issuing clearance papers. For example, some Palestinian merchants accepted the Israeli invoicing system due to slow and chaotic mechanisms in issuing clearance certificates.
- Enacting legal measures against merchants who deal directly with the Civil Administration to “facilitate” their affairs, provided that this is accompanied by real changes in coordination and liaison mechanisms, such that these merchants are provided with an effective alternative to working directly with the Civil Administration.
- Controlling mechanisms for issuing merchants’ licenses, BMC and import/export permits, which, based on the testimonies of many traders, sometimes involve corruption or extortion, leading merchants to resort directly to the Civil Administration.
- Enabling the Ministry of Communications to coordinate with internet service-providers in order to block Israeli websites and applications from Palestinian internet users. Blocking application processes is a priority in this context, as it directly brings the Civil Administration into every home and institution in Palestine.

3.3 Civil Coordination between the Palestinian Authority and the Civil Administration

Despite the fact that the Civil Affairs Authority is the official responsible body for coordination/liaison with the Israeli Civil Administration, there are other channels of communication (de facto or by virtue of prior understanding) between the Palestinian Authority’s institutions and the Civil Administration. These channels include chambers of commerce, industry and agriculture, in addition to some ministries’ agents or technicians. There is an urgent need to enhance the means and channels of civil coordination with the Civil Administration, to reduce informal relationships with the Civil Administration.

3.4 Economic Agents

As of now, there is no clear, official policy on direct contact between Palestinian citizens and the Civil Administration. The existence of official channels for civil coordination between the PNA and the Civil Administration have not been complemented by mechanisms to control and monitor the parallel relationship between Palestinian citizens and the Civil Administration, which “encourages” citizens to bypass the Authority's bodies.

Controlling the relationship between the citizenry and the Civil Administration is a core concept in Palestinian sovereignty that needs to be built and developed across the years. Difficulties in controlling this relationship vary according to different economic groups. For example, the mechanisms for controlling the relationship of merchants and importers with the Civil Administration differ completely, in terms of their implementation potential and their success in controlling the relationship between workers and the Civil Administration. In the final analysis, it is not possible to end the economic relationship between the citizenry and the Civil Administration. However, this relationship must be compatible with the Palestinian government's economic vision, and not conflict with it.