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East Jerusalem's Economic Cluster Report

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Abbreviations

ECR	Economic Cluster Report
EJ	East Jerusalem
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IHL	International Humanitarian Law
IHRL	International Human Rights Law
IOA	Israeli Occupation Authorities
IVGC	The Fourth Geneva Convention
JG	Jerusalem Governorate
LFPR	Labor Force Participation Rate
MAS	Palestine Economic Policy Research Institute
MoTA	Ministry of Tourism and Antiquities
oPt	Occupied Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PECDAR	Palestinian Economic Council for Development and Reconstruction
SMDA-EJ	Short and Medium Term Development Agenda
SWOT	Strengths, Weaknesses, Opportunities, and Threats
The Wall	The Annexation and Expansion Wall
TSDA	Tourism Sector Development Agenda
UNCTAD	United Nation Commission for Trade and Development
USD	United States of America dollar
WBGS	West Bank And Gaza Strip
WJ	West Jerusalem
WJM	West Jerusalem Municipality

Executive Summary

This Economic Cluster Report (ECR) provides a situation analysis and needs assessment of the EJ economy. It is one of three complementary cluster reports. The first discusses human rights and the institutional setup, and the second one covers the social sector. The three reports represent the background work for the preparation of the Short- and Medium-Term Sectoral Development Agenda for EJ (SMSDA-EJ), which aims at responding to Jerusalemites' developmental needs, combating the Israeli Occupying Authority's (IOA) plans of Judaization, fostering the steadfastness of the EJ population, and safeguarding the Arab Palestinian identity of the city. The purpose of the ECR is to identify the main challenges and impediments which hamper EJ's economic growth, jobs creation, and competitiveness. Economic growth and job creation are essential for the steadfastness of EJ's population and for combating the IOA plans to evict East Jerusalemites out of their city by using different methods of pressure and coercion.

East Jerusalemites have been subject to unceasing looting of their land, real estate, and material and cultural heritage. The city has become the main target for building Jewish colonial settlements and infrastructure. The Palestinians in EJ are persecuted with the worst forms of colonization and discrimination policies in recent history. Israel has maintained a regime that has literally paralyzed the Palestinian population's ability to build their homes in the already small area allocated to them (only 13% of the area annexed right after the June 1967 occupation of the West Bank, including East Jerusalem, and the Gaza Strip).

The IOA subjected Palestinians in EJ to the Israeli tax system (despite the large income gap between Palestinians and Israelis which currently stands at 1 to 9), while neglecting their basic infrastructure and public service needs. On average, the Israeli Municipality has allocated less than 10% of its budget to EJ's residents who represent more than 37% of the population of the combined West and East parts of the city of Jerusalem.

An Israeli National Insurance Institute report points out that more than 77% of Palestinians in EJ live below the poverty line, compared to only 23% of the West Jerusalem Jewish residents.

The labor force participation rate (LFPR) in the Jerusalem Governorate (EJG) in 2017 was 56.4% for males, which was 15.2 percentage points below the LFPR for males in the rest of the oPt. The female LFPR in EJG was 6.7% which was less than the national female LFPR in Palestine by 12.3 percentage points in the same year¹.

The unemployment rate in the Jerusalem Governorate has seen a gradual decline in recent years (from 19% in 2014 to 11.6% in 2017), owing to an increase in the employment in the Israeli labor market for male workers.

In 2015-2017, around 40% of Palestinian Jerusalemites were reportedly working in Israel's economy, which has become the main source of income for 54% of EJ's households².

In terms of income sources, wages and salaries earned in the local private sector constituted the main source of income for 13.1% of households; family businesses were the main source

¹ PCBS (2018), *Jerusalem Statistical Yearbook 2018*, p. 53

² PCBS (2018), *Jerusalem Statistical Yearbook*, pp 53-58.

of income for 6%; other wages and salaries from public and international bodies were the main source of income for 3.3%; and other sources provides income to 1.8%. These indicators reflect the high level of fragility of the EJ's economy as well as a high dependency on Israeli sources of income.

Despite the harsh IOA policies towards East Jerusalem and its Palestinian population, their percentage in East and West Jerusalem rose from 22% in 1972 to around 40% in 2018. This is due to Jerusalemites' resilience and determination to stay in their birthplace. However, winning the demographic battle is not sustainable unless supported by deliberate efforts on all fronts: political, social, cultural, and economic.

This report was prepared with the active participation of stakeholders in the targeted economic sectors: tourism, housing, agriculture, industry, information and communication technology, and trade. It focuses on the identification of the main challenges at the general and sectoral levels to be dealt with by any development agenda. The general challenges that face the revitalization of EJ's economy include:

1. The establishment of appropriate institutional arrangements to guide and streamline political, economic, social, and cultural development;
2. Reviving the main sectors of Jerusalem's economy and enabling them to improve their product/service competitiveness and increase their share in the city's as well as the surrounding villages and towns' market;
3. Addressing the housing problem by providing legal, technical, and financial assistance to those wishing to build their homes and to developers willing to invest in the housing sector in the city;
4. Re-integrating EJ's economy with its base in the rest of the oPt and utilizing EJ's economy as a Palestinian gateway to foreign markets;
5. Harnessing the unique touristic position of EJ to leverage its economy in particular and the Palestinian economy in general.

With regards to the challenges at the sectoral level, they include:

Tourism

The main objective of the Tourism Sector Development Agenda (TSDA) is to improve the competitiveness of the Palestinian tourism sector and to enable it to benefit from EJ's comparative advantage as an international tourist destination for religious services and other kinds of tourism. EJ hosts a number of the most important religious sites for Muslims and Christians, mild climate around the year, diverse and affordable and Palestinian cuisine, and a variety of entertainment facilities.

Main Challenges

- The lack of institutionalized cooperation and collaboration at the intra-sectoral level and at the inter-sectoral level, especially with the commercial sector, weakens the tourism sector's competitiveness and market share. Furthermore, it hinders the collective effort to face arbitrary Israeli hostile policies and measures which negatively impact the sector's businesses.
- The sector has been denied access to adequate and secured financing, which hinders investments in the rehabilitation of operating hotels and restaurants, and in turn weakens the competitiveness the quality, and the attraction of their services.

- The attractiveness of the city as a top destination for tourists was adversely influenced by the large number of closed hotels and tourist shops, affecting the absorptive capacity of the sector.
- There has been poor exploitation of domestic and inbound tourism (especially from Arab and Islamic countries), which have promising potential for enhancing EJ business activities, protecting the political and religious status of Jerusalem and preserving its cultural heritage.
- The sector faces the continuous application of the IOA's discrimination policy, including raising the tax burden on EJ (Arnona, income, all municipal fees), while cutting expenditure on basic services such as maintenance of roads and sidewalks, street lighting, supply of water and sanitation, and waste collection in the streets and courtyards.
- There is lack of competitiveness of national handicraft products in face of cheap imported counterfeit products as well as limited introduction of new innovative and creative products, portraying "the symbolism of Jerusalem" in an esthetic manner.
- There is a scarcity in skilled staff equipped with the profession's skills who are culture-informed and capable of providing high quality services which leave a positive impression on tourists.

Housing Sector

The IOA applied the harshest restrictions on housing development in EJ, including: confiscating and closing of 87% of the land area; minimizing the possibilities of housing expansion in the 13% of land allocated to the Jerusalemites by, inter alia, the numbers of floors and rate of built up area; ignoring infrastructure; delays in processing detailed plans and building permits; and variety wide variety of expensive fees. These Israeli measures are driven by the so-called demographic threat.

Main Challenges

- Combating the arbitrary procedures and restrictions imposed on the use of private land in Jerusalem for development and housing construction;
- Reducing the housing gap by providing affordable housing to young couples and social housing to the poor families;
- Protecting the increasing number of demolition-threatened homes through legal support;
- Increasing house renovation projects in the Old City and encouraging dwelling and resilience there;
- Providing the necessary funds to help East Jerusalemites overcome the obstacles imposed on construction by the occupation authorities. It is necessary that these funds cover fees for detailed planning, parcellation, and building permits.

Main Challenges to the Development of the Tradable Sectors

- The unfavorable investment climate due to the political instability and the Occupation's double-standard colonial hostile policies which hamper development, especially the arbitrary taxes and forsaking the development of the social and physical infrastructure;
- Protecting Palestinian souvenir and handmade traditional products from unfair competition from imported cheap and low-quality counterfeit;
- Lack of safe, non-Israeli, and friendly banking credit to Jerusalem's companies to finance new investments and/or modernize existing industries. Palestinian and Arab banks operating in rest of the oPt are denied business in EJ;
- The responsibility of taking all necessary actions to pressure Israel to abolish its decision regarding the closure of the Orient House and the Chamber of Commerce in EJ. If the

establishment of such an institution is authorized, it can effectively represent and protect the businesses' interests and organize the market and the economic sectors.

Main Challenges to the Development of the IT Sector

Our analysis suggests the existence of the following major challenges:

- The responsibility for improving the quality of education in various IT agendas in order to produce graduates who can effectively join the labor market;
- The responsibility for addressing the problem of the high level of unemployment among IT graduates;
- The poor infrastructure which would, otherwise, enable IT entrepreneurs to develop and implement their initiatives;
- The minimal use of information technology in many productive sectors: agriculture, industry, tourism, services, and trade.

Main Challenges to the Development of the Trade Sector

- There is a need to mitigate the consequences of settlers' assaults and the Israeli police's provocative actions to maintain the flow of business activities and to cut the sector's losses.
- The IOA closure of the Jerusalem Chamber of Commerce, Industry, and Agriculture left its members without any umbrella which can take care of their common interests and provide them with information, recommendations, certificates of origin, and other services. Creating an interim body to provide the most needed functions is important for the businesses and for helping them get organized to follow their interests.
- The owners of closed shops in the Old City need to be convinced and assisted to reopen their shops and to be enabled to resume their businesses, considering the changing conditions in their particular market. Scaling up their administrative, technical, and marketing skills will contribute to their success and increased resilience.
- There is a need to break the isolation of Jerusalem and enhance its integration with the rest of the oPt as well as increasing the market share of Jerusalem's products in the Palestinian domestic market, though increasing private and governmental demand for these products.
- There is a need to find a feasible and sustainable solution to the problem facing shoppers in the Old City, i.e., carrying heavy shopping bags all the way from the market to the bus station will encourage shoppers to head to the Old City for shopping.

Chapter One:

Introduction, Objectives, Methodology, and literature Review

1.1 Introduction

East Jerusalem (EJ) has been subject to unceasing looting of its land, material and cultural heritage. The city has become the main target for building Jewish colonial settlements and infrastructure. By doing so, the occupying power has been creating an inevitable situation that blocks international community pressure to return to the pre-occupation status. These actions, which are trying to alter the character and status of the Holy City of Jerusalem” will be “null and void and must be rescinded forthwith³. They are a clear violation of the Oslo Accords of 1993 and 1995 aimed to preempt the final status negotiation, and contradict the internationally-agreed two-state solution that leads to an independent, sovereign Palestinian state on the 4th of June 1967 borders, with EJ as its capital.

The Palestinians in EJ are persecuted with the worst forms of colonization and discrimination policies designed to push them out of their city. Israel has maintained a regime that has literally paralyzed the Palestinian population's ability to build homes in the already small area allocated to them (only 13% of the area annexed right after the June 1967 occupation of the West Bank and Gaza Strip) and placed under the jurisdiction of Municipality of West Jerusalem. Israel continued to pursue those who had to build their homes without a permit and force them to demolish their homes by their own hands.

The Israeli Occupying Authority (IOA) made Palestinians in EJ subject to the Israeli tax system (despite the large income gap between the Palestinians and the Israelis– currently, 1: 9, respectively) while neglecting their basic infrastructure and public service needs. On average, the Israeli Municipality has allocated less than 10% of its budget to EJ residents who represent more than 37% of the population of both West and East parts of the city of Jerusalem. This harsh discrimination led to economic collapse including ever-increasing level of poverty, deteriorating quality of life, investment, and business climate as well.

Over the past five decades, the IOA’s persisting measures against EJ have meant to contain the EJ economy and gradually separate it from its Palestinian base, eventually making it a service-based economy⁴. The employment capacity of this sector has exceeded 80% in the Jerusalem governorate, while its contribution to the GDP of EJ has reached about 85%⁵.

The construction of the Annexation and Expansion Wall (later: The Wall) since 2002 has completely cut EJ city and most of its neighboring localities from the rest of the West Bank, and left more than 60 thousand of its population outside the Wall, and beyond the outreach of the municipal services.

The IOA and the de-facto Israeli municipality have stepped up the looting of Jerusalem land and of the settlement construction, and tightened restrictions on the urban expansion for Palestinian Jerusalemites. Obtaining an approval of a detailed plan, land parceling, and of a building permit have become impossible missions. Negligence of infrastructure development

³ Jabarin, Y. (2016): *Israeli Planning in Jerusalem: Strategies for Control and Hegemony*. The Palestinian Forum for Israeli Studies, Ramallah, Palestine. pp13-21

⁴ UNCTAD (2013): *The Palestinian economy in East Jerusalem: Enduring annexation, isolation and disintegration*. Geneva, Switzerland, pp.11-14.

⁵ Palestinian Central Bureau of Statistics (2018). *Jerusalem Statistical Yearbook*, p. 58 and pp 136-137. The services sector includes trade, transportation, accommodation, restaurants, telecommunications, health, education, liberal professionals, and others.

within the small area allocated for Palestinian housing is purposely used to restrict building permits. On the other hand, the IOA does not spare its efforts to levy taxes and fees, and to impose arbitrary fines on delayed payments.

Those measures were meant, among others, to alter the Arab-Palestinian character and identity of EJ and Judaize the city through a set of deliberate and very aggressive policies including; seizing of land, settlement building plans and infrastructure and service negligence in Jerusalem's Arab neighborhoods. The IOA has also provided all the conditions necessary for using the dilapidated economic situation for the service of its private sector. It took advantage of cheap Jerusalem labor and enabled Israeli companies to control the market, which was closed to WBS products since mid-1990s.

1.2 Objectives

This cluster report aims at providing a background report that illustrates the current economic situation of EJ and surrounding towns and villages (area J1). It provides analysis of the Israeli numerous hostile policies and their impact on economic development of this area. The main goal of this report is to provide reasonably adequate information and analysis for the preparation of an economic development agenda, which aims at strengthening the steadfastness of the Palestinian Jerusalemites and thwart the occupation efforts to evict them out of their city by using different methods of pressure and coercion. It identifies the main economic challenges that hamper the development of EJ economy across different sectors, and proposes short and medium-term development interventions to address them. The preparation of this document adopted a bottom-up approach to better understand the roots of the economic problems, and the needs of direct stakeholders to overcome them. The document focuses on the identification of the most feasible, doable, and cost-effective interventions that could be implemented despite the current unfavorable political and legal environment.

1.3 Methodology

The report is based on some primary and secondary sources: as follows:
Collecting and analyzing data and information from published studies and reports on EJ economy from various secondary sources, including statistical publications and local and international reports on the business environment and EJ's economy. The review covers in particular: housing, tourism, wholesale and retail trade, and tradable productive sectors: industry, agriculture and information technology.

Structured interviews: Several structured interviews were conducted with leading figures in various sectors in 2017 and 2018. While interviewees held similar views about the topics raised, there were still some differences regarding specific aspects.⁶

Stakeholders focus groups discussion: This method was used as a complement to structured interviews in order to validate information, conclusions, and proposed interventions. A SWOT analysis was followed to identify strengths and weaknesses of the internal environment of the target sectors, as well as opportunities and threats by the external environment. The SWOT analysis approach allows for obtaining primary information based on stakeholder's first-hand expertise, with a closer look into their needs and proposals to meet the challenges they face.

⁶ See Appendix 1 on names and details of interviewees .

Three meetings were held for this purpose, where each meeting was attended by 13 to 15 participants from housing, tourism, investment and information technology sectors⁷.

Review and feedback on several drafts of this sector and modifications accordingly by reviewers familiar with life and living in EJ and have been engaged in writing on EJ⁸.

1.3 Previous development plans and studies

In recent years, several seminars and workshops have been held, and studies have been done on improving the economic situation in Arab EJ. Below is a review of some studies, particularly those that recommended and proposed policies to address the continuous deterioration in the performance of the EJ economy and those that came up with plans and programs to find solutions to the distorted economy. The studies had two forms: development plans and multi-sector studies.

1.3.1 Previous development plans

1. The first development plan was prepared in 2003. It aimed to deal directly with deteriorations in the Jerusalem economy due to the restrictions imposed by Israel after the construction of the Wall around EJ.
2. Three years later, in 2006, the Welfare Association was commissioned to draw up the updated (second) strategic plan, which included several priority projects. Consequently, the Palestinian Authority created the Jerusalem Unit to operate within the Office of the President in 2007. The Unit was tasked with developing long-term strategic plans. Nevertheless, the Unit was able to move forward to implement some of projects in the 2006 Strategic Plan⁹.
3. Given the worsening economic situation in EJ, the Jerusalem Unit, in cooperation with the European Union, updated the Multi-Sector Development Plan in 2010 to cover the period 2011-2013. The plan was comprehensive, as it assessed the performance of the economic sectors, set goals, define the required information and data, and examine the demographic, social, economic and human rights challenges in EJ. Also, the plan came to face the challenges of the hundreds of closed shops, merchants who moved their businesses outside the city, and of the many employers who have become wage earners in the Israeli economy while hundreds of Palestinian Jerusalemites moved to dwell outside the Wall) and many hotels and other facilities were forced to close down¹⁰. In the absence of any business representation of Palestinians in EJ, the private sector was deprived from any support that kept it from performing competitively¹¹.
4. In 2013, commissioned by the Jerusalem Unit, PECDAR drew up the Jerusalem Strategic Development Plan¹². Intended to stop the deterioration of the economic situation in the Holy City, the plan, like other plans, addressed each individual sector separately in terms of assessing performance and identifying challenges. The plan covered housing,

⁷ See Appendix 1.

⁸ Drafts reviewed by Samir Abdallah (MAS), Jamil Rabah, Ashraf Khatib, Fouad Hallak and Varsen Aghabekian (all from the Palestinian Negotiations Support Project)

⁹ Jerusalem unit, Office of the President (2010): Strategic Multi sector Development Plan for EJ.

¹⁰ Badran, A. (2018): *Closed Shops in East Jerusalem: Causes and the possibility of reopened*. A field work discussed in workshop held at PLO Office, Abu Dis, January, 2018.

¹¹ UNCTAD (2013): The Palestinian economy in East Jerusalem: Enduring annexation, isolation and disintegration. Geneva, Switzerland, pp 9-11.

¹² Palestine Economic Council for Development and Reconstruction– PECDAR (2013): Jerusalem Strategic Development plan.

education, health, tourism, culture and heritage, sports, youth, infrastructure, agriculture and Waqf endowments. The plan estimated the need of half a billion dollars to implement the intended projects.

5. In 2016, the Jerusalem Unit started working on a new multi-sector development plan for 2018-2022 to define the general framework for Palestinian policy interventions for the vital sectors in EJ. The planners envisioned a strategy that can overcome obstacles to the implementation of the previous plan. In terms of content, the plan is a reproduction-update of the previous one. In terms of finances, the plan reiterated that lack of funding as one of the most challenging obstacles that can hinder the achievement of the plan objectives.

1.3.2 Previous Studies

The United Nation Commission for Trade and Development (UNCTAD) focused in its 2013 report on the economy of East Jerusalem¹³. The report provided data on the deterioration of socioeconomic conditions in EJ following its severance from the Palestinian economy in the West Bank and the Gaza Strip (WBGS). It stressed that EJ lacks any broad representation of the political, economic, social, health and educational fields when dealing with official Palestinian, Israeli or international bodies. In fact, the absence of a functional political representation negatively impacts efforts to find mechanisms that can reverse the deteriorating situation in EJ and the disintegration of its economy from the WBGS economies.

The report indicated that the lack of funding is one major obstacle to the social, economic and cultural development of EJ. According to the report, the first condition to achieve development is the presence of a functional political representation of Palestinians in EJ to steer and manage and supervise such complicate effort. These functions were well conducted by the Orient House under the leadership of its founder Faisal Husseini and his staff. But the IOA closed the orient house and many representable organizations, which necessitate the creation of alternative steering structure in the Office of the President in Ramallah.

Various studies have dealt with funding needs and identified the size of investments needed in the trade, tourism, housing and education sectors. However, to date, the Palestinians failed to seize the opportunity to stop that disintegration and stand in the face of repellent forces which are ruining the business climate in the city¹⁴. In an endeavor to encourage initiatives and creative ideas that contribute to the development of tourism, the Jerusalem Tourism Cluster held its first conference in May 2015. The deliberations were published in a book titled *Tourism and Palestinian Culture in Jerusalem: Unlimited Opportunities*. The conference recommended tourist, social, cultural and economic networking and reciprocal action to enhance intercommunication between different sectors to stimulate the business environment and economy. The conference focused on the weaknesses of the tourism sector, particularly the ineffective management of the industry. The Conference discussions suggested that better management requires that EJ Tourism Cluster (which consists of travel agencies) be able to attract tourists, rehabilitate hotels and restaurants, and provide convenient transportation.

¹³ UNCTAD, 2013,

¹⁴ UNCTAD (2013): *The Palestinian economy in East Jerusalem: Enduring annexation, isolation and disintegration*. Geneva, Switzerland, p32.

The Conference, as a response, recommended carrying out studies to develop the tourism sector vertically and restructuring it to respond to the increasing demand before moving to horizontal expansion. It also stressed the need for raising the public awareness of tourism in EJ. This requires that policies be in place to encourage internal tourism and help young Palestinians (who know little about Jerusalem) be aware of the city's culture and landscape. It also needs reshaping the previously-held concepts of the Palestinians about Jerusalem—making the city a tourist destination for Palestinians throughout the year, rather than seeking recreation and entertainment abroad. This also requires building marketing programs that address the mind and conscience. The programs should be different in terms of their content, goals and purposes from those programs that target tourists from Muslim countries, Europe, America and others. It is also important to invest in human capital and empower the tourism staff to provide high quality products and services in order to promote the tourism sector in the city¹⁵.

The Palestine Economic Policy Research Institute (MAS) published in 2015 several studies on construction and housing in the Palestinian Territory in general and EJ in particular. These studies covered many legal aspects, spatial and urban planning, construction costs, supply and demand and housing prices¹⁶. For the past five decades, Israeli housing and land management policies in EJ have been a constant threat to Palestinian Jerusalemites. The IOA consider that most of the existing homes in EJ are illegal, non-permitted buildings; and they are inconsistent with the approved master plans in West Jerusalem and colonial settlements in EJ¹⁷. The IOA demolished in EJ 1840 buildings in the period 1967-2014. The number of no-permit buildings which are facing the threat of demolishing is estimated at 20 thousand buildings¹⁸.

In 2016, MAS released a study aiming at developing the tourism sector in EJ. The authors¹⁹, focused on the importance of investment in tourism infrastructure to meet the expected increase in the number of tourists and the rate of stay. To support the sector, the study proposed increasing the number of hotels and renovating existing ones, developing new tourism sites to attract tourists from abroad and making use of information & telecommunication technologies (ICTs) to effectively communicate with tourists wishing to visit the holy places, especially those who come for religious reasons to the holy sites in EJ and Bethlehem.

Obviously, the tourism sector has yet to effectively tap these resources whose proper operation depends largely on strong and experienced tour operators, active outreach to tourists from other countries, and more active internal tourism from Palestinian communities of all Palestinian governorates and Israel. This require the availability of more multi-lingual trained tourist staff, such as tourist guides and marketing and advertising staff as well.

¹⁵ Jerusalem Tourism Conference (2015): *Tourism and Palestinian Culture in Jerusalem: Unlimited Opportunities*, www.enjoyjerusalem.com.

¹⁶ For more details, see Abdul Razek, 2015; Abdullah, S (2015); Dodeen, M. (2015); Abdul Hadi, 2015.

¹⁷ Jabarin, Y. (2016): *Israeli Planning in Jerusalem: Strategies for Control and Hegemony*. The Palestinian Forum for Israeli Studies, Ramallah, Palestine, pp.127-131.

¹⁸ UN, Office for the Coordination of human Rights Affairs, oPt, in Abdullah (2015), *ibid*. 53

¹⁹ Halayka, M. S. Nakashian, E.Dahadha(2016): *Development of Tourism Sector in East Jerusalem*, Palestine Economic Policy Research Institute (MAS).

Chapter two

The Current Situation of East Jerusalem's Economy

2.1 Population and geography

The analysis in this review focuses on the economy of the illegally expanded EJ area to include the pre-1967 area (of 6,500 dunum) and the annexed area of the surrounding 28 towns and villages (an area of 65,500 dunum)²⁰. Israel put these areas under the jurisdiction of the Israeli West Jerusalem Municipality and applied the Israeli law three weeks after it captured the city on June 5, 1967 in violation of the Fourth Geneva Convention and International Humanitarian Law (IHL) and International Human Rights Law (IHRL).

Furthermore, the IOA imposed a permanent residency status on the then present citizens of the annexed areas only, which distinguished them from the rest of Occupied Palestinian Territory (oPt) population and the inhabitants of the west part of the city. The permanent residency status changed their citizenship from being a right to a privilege, that could be revoked at the discretion of the IOA. It however, allowed residents free movement to stay and work within the city and in Israel.

In 2017, EJ and the surrounding towns and villages (annexed to Israel and placed under the direct administration of the West Jerusalem Municipality) had a population of 281 thousand people²¹. Around 70 thousand with blue identification cards²² live outside the Wall. These obtain goods and services from Ramallah, Bethlehem, Abu Dis, Al-Ezzariya and other Palestinian cities, but they maintain residence addresses inside the Wall²³. According to Palestinian Bureau of Statistics, population in Jerusalem Governorate in 2017 approximated 435 thousand. On Average, 20% of Palestinian Jerusalemites live outside the Wall, which represent around 50% of the Palestinians who are living in the rest of Jerusalem Governorate²⁴.

The construction of the Wall, which started in 2002, disunite EJ and the other annexed towns and villages into two split up areas, and made access and movement between the two parts for the majority of EJ residents through the electronic gates a daily nightmare. The Wall, which intensified the exclusion of EJ of its surrounding clientele and the rest of the West Bank, accelerated decline in the economic situation in the city. The role of EJ city in the economy of Jerusalem governorate in particular and the Palestinian economy in general remarkably declined. That was due to deteriorating economic activities and sharp decline in the employment capacity of the EJ economy, which led to a decline in number of active establishments in the city, and many businesses moving outside the Wall.

Below, is an analysis of Jerusalem's GDP structure, labor force, and other key indicators. It is of particular importance to be able to identify the performance of an economy of a city that has been excluded from its natural environment in the West Bank, and remained disintegrated from the Israeli economy as well. The connection of the EJ economy with the Israeli economy remained restricted by the occupier's hostile political and economic interests.

²⁰ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, pp. 25-27.

²¹ Palestinian Central Bureau of Statistics, 2018, *Ibid*, pp 24-28.

²² The Blue Card ID was imposed on EJ population, who are censused in the first IOA census in 1967 within the enlarged EJ area. This card distinct their holders by giving them permanent residency status, which allow its holder free access to Israeli territory and some other benefits such as social security. But the permanent residency status changed the residency from being a right to privilege, which could be revoked by the Ministry of Interior if the holder does not comply with an ever-changing policies, such as the center of life, loyalty, and so for.

²³ *Ibid*, p 23.

²⁴ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, pp25-27.

2.2 EJ Gross Domestic Product (GDP)

East Jerusalem's (J1) contribution to Palestinian GDP reached 15% in the late 1990s. Following the outbreak of the Al-Aqsa Intifada in September 2000, Israel created a closure regime on the WBGs with tightened measures that denied the Palestinians access to Jerusalem. The construction of the Wall, which started in 2002 created new borders that separated the oPt in the West Bank from Israel. EJ and most of its illegally annexed territory to Israel came under a tightened siege that severed the city from its demographic, geographic, and economic support base in the West Bank. Access to Jerusalem has become possible only through gates with electronic inspection and only after obtaining permits from Israeli military authorities. Since then, the contribution of Jerusalem economy to the Palestinian economy has started to decline. In the years following 2010, its average share declined to below 8%. The city's economy within the Wall also declined. Its share to EJ Governorate economy (inside and outside the Wall) reaching only 40% at best ²⁵.

The 2012-2017 data on EJ show that the city's GDP rose from about \$ 1 billion in 2012 to about \$ 1.3 billion in 2016, at an annual growth rate of 4.6% at current prices ²⁶. However, its contribution to Palestinian GDP remained relatively unchanged at around 8%. Furthermore, different sectors' contributions to GDP have seen some changes. As Table 1 below shows, agriculture and construction contributions declined significantly. Agriculture's share fell from 1% during 2000-2002 to less than 0.23% in 2014-2016²⁷. This is largely due to Israel's imposition of further restrictions on the flow of agricultural produce from EJ areas outside the Wall into EJ market within the Wall, as well as restrictions on livestock breeding within the Wall.

Table 1: Economic sectors' contribution to EJ GDP in 2000-2002 and 2014-2016

Sector	2000-2002 (%)	2014-2016 (%)
Agriculture	1%	0.3%
Industry	17%	18%
Housing and Construction	10%	2.8%
Retail and wholesale	15%	24%
Services	40%	53%
Transport and Storage	14%	2.2%
ICT	0.1%	0.1%
Public administration and other services	3%	0.1%

Source: Palestinian Central Bureau of Statistics, *Palestine in Figures*, different issues.

Meanwhile, the share of the construction sector fell from 10% to 2.5%²⁸. Again, the stagnation in this sector was due to escalation of Israeli restrictions on the granting of building permits²⁹. On the other hand, the EJ economy has become largely dependent on the retail and wholesale trade, car repair and the services sector that includes: accommodation, food, administrative services, education, health care and social work. The contribution of

²⁵ UNCTAD (2013): *The Palestinian economy in East Jerusalem: Enduring annexation, isolation and disintegration*. Geneva, Switzerland, pp 9-11.

²⁶ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, p 135.

²⁷ Ibid, p 136.

²⁸ Interviews with Mahmoud Zahaykeh, Chairman of the Union for Jerusalem Housing Assembly, and Saleem Abu Ghazaleh, General Manager of Al Reef for Investment and Agricultural Marketing.

²⁹ Ibid.

these sectors to EJ's GDP increased from 55% in 2000-2002 to about 77% in 2014-2016. Other sectors such as manufacturing increased slightly by one percentage point from 17% to 18%. Finally, the Palestinian financial sector – such as banking and insurance– are completely banned from establishing their branches in EJ by the IOA. And Palestinian Jerusalemites have to rely on the Israeli financial services providers.

2.3 Changes of Number of Establishments in Jerusalem Governorate

Business establishments in J1 make up about 50% of the total number of businesses in the Jerusalem Governorate. Their number increased from 2250 in 2000 to 4967 in 2012. In the following years, however, the number fell gradually to stagnate at 4670 in 2017. During this period, more establishments were started in the governorate's towns outside the Wall, reaching 5240 in 2017, an increase of 14% during 2012-2017 periods, which saw many establishments originally operating in EJ moving to the surrounding towns and rest of WB areas outside the Wall.

Further, hundreds of Palestinian Jerusalemites– who were forced to move outside the Annexation Wall pushed by the occupation's economic coercion– moved their establishments or set up new ones outside the Wall, especially in the internal trade sector³⁰. Retail and wholesale trade and repair of vehicles constitute about 60% of the total number of businesses operating inside the Wall, while industrial production enterprises come second, at 13% (or 1296 of the total businesses).³¹

Data on establishment size in J1 measured by the number of employees show that 96% of establishments are microenterprises, which employ 1 to 4 workers. The number of employees in the internal trade has doubled from 2,600 in 2008 to about 5,000 in 2017, an increase of 75%. Its contribution to EJ GDP in 2016 amounted to 27%, or USD 348 million at current prices³².

2.4 Labor Market in EJ

Below is a description of the most important labor market indicators in EJ, namely: labor force participation rate, distribution of workers across economic sectors, unemployment rates and employment.

2.4.1 Labor Force Participation Rate

Labor force participation rate (LFPR) in Jerusalem Governorate (EJG) in 2017 was 56.4% for male, which was less than the LFPR for male by 15.2 percentage points; and 6.7% for female, which was less than the national female LFPR by 12.3 percentage points; and 30.4% for both sexes, which was less by 15 percentage points than the national LFPR in Palestine³³. The distribution of persons (15 years and above) in EJG according to years of schooling shows that 17.2% of employed males and 76.5% of employed females have more than 13 years of schooling. This because of low female participation rate (6.7%)³⁴, and high demand for male laborers in the Israeli market. It also explains the high drop rates in EJ schools.

³⁰ Palestinian Central Bureau of Statistics (2017), *Jerusalem Statistical Yearbook*, pp 125-126.

³¹ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, p 168.

³² Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, pp 127-132.

³³ PCBS (2018), *Jerusalem Statistical Yearbook 2018*, p. 53

³⁴ *Ibid*, p. 60

This low participation suggests that Jerusalem economy is unable to generate new jobs, especially for females. The problem for semi-skilled males is less acute because of their employment opportunities in the Israeli market. It is also worth noting that the unemployment rate for the 15-29 age groups, especially among university graduates who did at least 14 years of schooling, is more than 50% for females and males ³⁵.

2.4.2. Distribution of EJ workers by sector

Table 2 shows a decline of labor participation rate in agriculture, transport and telecommunications, as well as stagnation in industry and services in 2011-2017. Meanwhile, the rate of those working in the tourism and construction sectors has soared due to an increase in the number of Palestinian Jerusalemites working in the Israeli construction and tourism companies, which employ 39.4% of the total workers in the governorate.

These figures suggest a form of redistribution of the labor force across the economic sectors. Within EJ economy, some sectors are getting more labor at the expense of other sectors. Within Israel's economy, Palestinian workers from EJ are relatively exclusively hired by construction and tourism industries.

Table 2: Percentage Distribution of Jerusalem Governorate Labor by Sector

Year	Agriculture	Industry	Construction	Trade, restaurants and hotels	Travel and transport	Other sectors
2011	2.6	12.3	22.3	23.6	11.8	27.4
2012	1.7	10.8	22.5	24.6	12.5	28.0
2013	1.1	10.9	24.8	22.7	13.4	27.0
2014	1.9	13.8	31.7	20.7	8.1	24.0
2015	0.8	12.4	32.0	24.6	6.7	24.0
2016	0.7	13.0	30.0	25.0	7.0	24.0
2017	0.1	13.4	25.3	27.5	8.0	24.4

Source: Palestinian Central Bureau of Statistics (2017), *Jerusalem Statistical Yearbook*, p 63.

2.4.3 Distribution of Jerusalem Governorate Labor by Employment Status

Figures in Table 3 below demonstrate that in 2017, around 80.5% of the total labor force was wage earners, 13.8% self-employed, 4.9% employers and 0.8% unpaid family members. The figures reflect that the share of employers and unpaid family members declined during 2011-2017; the share of self-employed workers increased significantly; while that of wage earners remained unchanged during the same period. However, the fluctuating behavior of those categories reveals the fragility of an economy that is directly influenced by changes in Israeli employment policies as well as changes in the political climate.

Table (3): Percentage Distribution of Jerusalem Governorate Labor by Employment Status

Year	Employer	Unpaid worker	Wage earner	Self-employed
2011	5.9	2.0	81	11.2
2012	6.4	1.5	80	11.6
2013	5.4	1.1	82	11.6
2014	4.3	1.9	80	13.7

³⁵ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, pp 53-58.

Year	Employer	Unpaid worker	Wage earner	Self-employed
2015	3.8	0.7	81	14.9
2016	4.0	1.0	81	14.5
2017	5.0	1.0	80.5	13.2

Source: Palestinian Central Bureau of Statistics, *Jerusalem Statistical Yearbook*, 2012-2018.

2.4.4 Unemployment

Unemployment rates in the Jerusalem Governorate have seen gradual declines in recent years (from 19% in 2014 to 11.6% in 2017), owing to increase in the employment rate in the Israeli labor market for male workers. In 2015-2017, around 40% of Palestinian Jerusalemites were reported working in Israel's economy, which has become the main source of income to 54% of EJ households³⁶.

2.4.5 Sources of Households Income in EJ³⁷

The most striking and worrisome figure of the economic situation in EJ is the major changes in the composition of household's sources of income, which shows increasing dependency on Israel. Wages and salaries of Palestinian workers in Israel was the main source of income in 2013 to 54.3% of households, and the Israeli Social Security system was the main source of income to 21.3% of households. Both represent the main source of income to three quarters of household's in 2013. Local sources of income are as follows: wages and salaries in the local private sector constitute the main source of income to 13.1% of households; family businesses were the main source of income to 6%, other wages and salaries from public, international bodies were the main source of income to 3.3%, and other sources provide income to 1.8%. These indicators reflect a high level of fragility of the EJ economy, and high dependency on the Israeli sources of income as well.

2.4.6 Living Standards in EJ

Despite per capita GDP growth, the purchasing power of EJ per capita income was much lower than in neighboring Palestinian cities. The poverty rate among Palestinians in EJ has constantly increased, reaching more than 75% of households, and it was even higher among children. This is also consistent with the fact that the average wage in EJ is 50% lower than the wage in West Jerusalem, and EJ population share Israelis in West Jerusalem the same costs of living³⁸.

The average per capita income for an Israeli in West Jerusalem is \$ 42,000 a year. This is 9 times the income of a Palestinian in EJ. An Israeli National Insurance Institute report points out that more than 77% of Palestinians in EJ live below the poverty line, compared to only 23% among West Jerusalem Jewish residents. The statistics of poverty and extreme poverty in Jerusalem vary by source. However, all sources see poverty in Jerusalem a central issue that affects the Palestinian socioeconomic fabric and resilience. The poverty rate in EJ is the highest compared to other cities in Israel and in the Palestinian Occupied Territory ³⁹.

³⁶ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*, pp 53-58.

³⁷ PCBS (2018), *ibid*, p.63

³⁸ UNCTAD (2013): *The Palestinian economy in East Jerusalem: Enduring annexation, isolation and disintegration*. Geneva, Switzerland, pp.17-22.

³⁹ These data were obtained (after they had been modified at USD current prices and converted from annual to monthly data where necessary) from PCBS *Palestine in Figures* (2017) and *Jerusalem Statistical Yearbook* (2018) as well as *Statistical Abstract of Israel* (2017) issued by the Israeli Central Bureau of Statistics.

On the other hand, the average monthly household consumption in EJ is \$2,142, which is 30% of household consumption in Israel (approximately at \$7140) and higher than the average household consumption in the West Bank (at \$1334)⁴⁰. The large part of expenditure for Jerusalem households goes to basic needs of food, transportation and telecommunications. Housing depletes about 40% of the expenses of the Jerusalem household (\$857 per month), while food drains about 40% of the income. Palestinians in EJ have to endure constant increases in the cost of living, which is usually close to costs in Israel. Therefore, a big portion is spent on basic products/services, while other secondary needs, particularly social welfare, are hardly ever affordable⁴¹.

2.5 Main Challenges

Nevertheless, the IOA has so far failed to achieve its main goal aiming at pushing the Palestinians out of EJ and keeping their number at an “unthreatening minority”, as was the case in the first years of the occupation. The percentage of Palestinians in EJ rose from 22% in the early 1972 to around 40% in 2018. This is thanks to Palestinian Jerusalemites' resilience and determination to stay in their birthplaces, as the only way they can defend their city in the face of the occupier's brutal and racist measures and aggressive Judaization.

The current state of EJ's economy has been deliberately marginalized: lack of new jobs, stagnant market, deterioration of social services, daily settlers' provocations that interrupt trade in the Old Town of EJ, and arbitrary taxes, were making life in the city very difficult. The situation was worsened further due to drugs and lack of security and safety. So, facing the IOA and its colonial settlement drive, Palestinians, Arabs, and friendly countries should effectively exert more unified efforts and harness all the necessary resources to thwart the plans of the occupier and its supporters. The main challenges that face this endeavor to revitalize EJ Economy are:

1. The establishment of appropriate institutional arrangements to guide and streamline political, economic, social and cultural development.
2. Reviving main sectors of Jerusalem's economy and enabling them to improve their product/service competitiveness and increase their share in the city's market and in the surrounding villages and towns;
3. Addressing the housing problem by providing legal, technical and financial assistance to those wishing to build their homes, and developers willing to invest in the housing sector in the city.
4. Re-integrating EJ's economy with its base in the Occupied Palestinian Territory, and utilizing EJ's economy as a gateway to foreign markets.
5. Harnessing the unique touristic position of EJ to leverage its economy in particular, and the Palestinian economy in general.

2.6 The promising economic sectors in EJ

An analysis of the performance of the leading sectors in EJ's economy is in essence based on a review of the most important indicators that show the strengths, weaknesses, opportunities and threats facing these sectors. Later, there should be measures that can be taken to transform disintegration into stability, improve the quality of life for Palestinian Jerusalemites and boost the Palestinian steadfastness in the city.

⁴⁰ Ibid

⁴¹ Palestinian Central Bureau of Statistics (2012), Jerusalem Statistical Yearbook, pp 111-117.

As mentioned earlier, the construction of the Wall was designed to diminish the Palestinian presence within expanded Jerusalem (as defined by Israel), resulting in many economic, social, political and security implications. Because this analysis is concerned with the economic situation inside the Wall, the focus will exclusively be on the Jerusalem economy within that particular area.

The construction of the Wall and its implications especially on access to EJ resulted in sharp deterioration of the economic situation in EJ. EJ witnessed significant outflow of many companies and businesses from the area of J1 inside the Wall to the area of J2 left outside the Wall such as: Ras Khamis, Shuafat Camp, Kufr Aqab and part of the neighborhood of Im Sharayat south of Al-Bireh, as well as in Palestinian cities adjacent to Jerusalem, such as Ramallah, Bethlehem and others. Many of those businesses (such as textile, leather, food, furniture, among other industries) retained their permits to operate inside the Wall. Some of them opened branches outside the Wall to allow easy access to their clientele.

Assisted by the PCBS *Jerusalem Statistical Yearbook* and other secondary sources, we chose some promising sectors based on their contribution to GDP, their employment capacity and their future role when their weaknesses have been addressed. So, the Development Agenda will include the following 4 sectors and sub-sectors: Tourism, Housing, Tradable sector, which include: manufacturing, agriculture, and ICT sectors, and the trade sector. Each sector will be presented in the following structure:

Sector profile

- Main objectives for the development of the sector;
- WOT Analysis of the internal and external sector environment: strengths, weaknesses, opportunities and threats;
- Identifying the main challenges facing the sector;
- Identifying short and medium-term interventions required to improve the performance of each sector;
- Identifying and justifying the most appropriate interventions needed to reach the required outputs, desired outcomes and the expected costs to achieve this;
- Determining performance assessment indicators and expected results when implementing the program; and
- Identifying potential risks that may hinder achievement of objectives and putting in place methods for managing those potential risks.

Chapter Three Tourism Sector

3.1 Overview of the Tourism Sub Sectors

The tourism sector in Jerusalem comprises a wide variety of products, activities, and services offered by hotels and restaurants, tourist travel and transport agencies, tour operators and guides, and antique and souvenir shops. However, the sector underwent a crippling decline in its major indicators following the Palestinian uprising in 2000, commonly referred to as the Second Intifada, which was sparked as a result of Ariel Sharon's provocative visit to the Aqsa Mosque.

This analysis briefly discusses the growth trends in five sub sectors of tourism in Jerusalem, and presents an analysis of the SWOT as well as a review of indicators measuring progress related to implementing a Tourism Sector Development Program.

Hotels

As a result of the Intifada, the number of functioning hotels dropped from 43 in 1999 to 29 hotels in 2001, devastating the tourism sector and incapacitating its ability to recover⁴². The number of operating hotels underwent a perpetual decrease in 2005, dropping to 18 hotels. Following that, and until 2009, the hotel sector witnessed a considerable boom, as the number of functioning hotels rose to 34, until growth stagnated and began declining again, causing the number of hotels to fall to 30 in 2012, and 24 in 2016, and to 20 in 2017⁴³. Other indicators of the sector experienced similar trends to varying extents. During the period between 2012 and 2017, the number of occupied rooms decreased from 1633 to 1480 room, the number of beds from 3590 to 3242 beds, and the number of hotel guests sharply decreased from 188 thousand to 99 thousand⁴⁴.

Tour Guides

The 1967 Israeli occupation of EJ severely affected the sub sector of tour guides in the city, which fell by more than 66%, from 150 in 1967, to only 50 in 1994. This is ascribed to difficulties in obtaining a license for practicing the profession, and to difficulties facing non-Jerusalemite guides who wish to work in Jerusalem and cannot enter the city or Israel without permits. The number of licensed Palestinian guides now is around 500, about 230 of whom work in Jerusalem. The working conditions of these guides are marked by instability due to high competition with Israeli tour guides, and the fact that those tour guides work on per diem basis and are not entitled to any social benefits in the case of unemployment. Another shortcoming which often leads tourist agencies to substitute Palestinian guides with Israeli ones, is the fact that the majority of Palestinian tour guides are not multilingual, which is normally a skill needed to guide tourists from East and South Asia, Russia, and Europe, and other foreign countries⁴⁵.

Tour Operators

Tour operators owned by Arab Palestinian Jerusalemites play a key role in promoting tour programs in Jerusalem and in other popular tourist attractions through organizing and promoting trips and package tours in the Holy Land. It was only in the last two decades that

⁴² UNCTAD (2013), p.13

⁴³ PCBS (2018) Jerusalem Statistical Book 2018, August 2018, P.159

⁴⁴ Palestinian Central Bureau of Statistics (2017), *Jerusalem Statistical Yearbook*, 2012 and 2017.

⁴⁵ Halaykeh, Mohammad et al., *Development of Tourism Sector in East Jerusalem* (2016), MAS.

these companies entered this area of business, which was previously monopolized by Israeli companies. Currently, there are 36 working operators ⁴⁶that organize trips for tourist groups from countries that are eligible for visa-free entry to the country.

About 40% of total religious tourism comes through Arab tour operators, i.e. 600 thousand tourists of the total number of tourist arrivals (reaching 1.3 million) to the Holy Land per year, pilgrimaging to Islamic and Christian holy sites. Managers of tour operators stated that they have accomplished this achievement despite the intense competition with Israeli and other unlicensed Palestinian operators, who generally offer substandard services, a fact which was used against them by Israeli competitors.

In order to increase their market share, these operators had to minimize the profit margin from 25% to a mere 7%.⁴⁷ Additionally, managers have highlighted the vital need for enhancing the Ministry of Tourism's cooperation with operators in promoting tourism in Jerusalem and facilitating access to new markets. Additionally, they have stressed the potential role Palestinian embassies in that regard, by liaising and connecting tour operators with their counterparts in the countries they are stationed in, with the purpose of establishing cooperation agreements.

Souvenir and Antique Shops

Since the beginning of the century, souvenir and antique manufacturing or craft workshops and shops have been undergoing a deep shock. In addition to the adverse impact of the sharp decline in tourism activities, catalyzed by the deteriorating security situation following the aforementioned escalation in confrontations with the Israeli occupation, the sector was profoundly impacted by Israel's accession to the World Trade Organization. This meant free trade relations and opening the Israeli market to China, India and other countries, thus allowing the flow of cheap counterfeit souvenirs and products.

A large number of these workshops and shops were forced to close down, or to move outside Jerusalem in order to reduce production and operational costs, especially duties and taxes levied by different Israeli authorities. According to estimates⁴⁸, about 350 shops were closed, adversely affecting the Old City's position as a tourist attraction. Such a situation necessitates action by various stakeholders and the implementation of interventions that aim to revitalize the Holy City, and to preserve traditional crafts, which constitute an essential part of the Palestinian cultural heritage.

Tourist Land Transport Companies

A number of the tourist land transport companies operating in Jerusalem, licensed by the Israeli Ministry of Transportation, are run by Arab Jerusalemites who operate a total of 450 buses⁴⁹. The fleet of buses transports tourists from airports, land crossings and other locations to Jerusalem. These companies are the only transport companies allowed to transport tourists from Jerusalem to other Palestinian cities in the West Bank and vice versa, since all other Palestinian transport means are not allowed to enter Jerusalem or to cross the Green Line. Nonetheless, these companies face a difficulty because they are obliged to pay insurance premiums to Israeli companies, who charge them approximately double the amount charged

⁴⁶ Halayka, Mohammad, et al. (2016), *ibid*, p.27

⁴⁷ *Ibid*.

⁴⁸ Badran, A. (2017): Closed Shops in East Jerusalem: Causes and the possibility of reopened. A field work discussed in workshop held at PLO Office, Abu Dis, January, 2018.

⁴⁹ Interview with Omar ALKhatib, Main Tourist Bus Company, EJ.

to Israeli transport companies⁵⁰. According to Israeli insurance companies, this is justified by those buses high risk exposure during transporting tourists from Jerusalem to other Palestinian cities.

3.2 Sector Growth

The highly unstable performance of the Palestinian tourism sector, as demonstrated by its main indicators, is ascribed to its extreme sensitivity to political instability prevailing under the settler colonial occupation. However, the political factor is not the only cause behind this volatility and decline in the performance of the tourism sector. Other chief causes for the decline include the sizable investments and financial assistance offered by banks and Israeli municipalities to construct a number of huge Israeli hotels in the “Forbidden Area المنطقة الحرام” and in some major tourist attractions such as the Old City in EJ. There is no doubt that this expansion has come at the expense of Palestinian hotels in the area.

In addition, the low accommodation charges offered by Bethlehem hotels has also played a significant role in curtailing demand for Jerusalem hotels, leading to a low average occupancy rate of around 40% over the last five years.⁵¹ As a result, the sector’s revenues declined, and its ability compete through investments in renovation, modernization of facilities, and the development of the sector’s services, was paralyzed.

EJ embraces most of the city’s religious and historic sites, destinations and tourist attractions, yet, less than one-fifth of the total tourists in the city stay in hotels owned by Arab Jerusalemites, while the other four-fifths stay in Israeli hotels. Revenues from EJ’s hotels and restaurants make a mere 8% of the total at best. In addition, Israeli tour operators control the market, organize most of the tourist groups’ trips, programs and reservations, favoring Israeli hotels and restaurants, and leaving Palestinian hotels as a last resort in the case that all Israeli hotels and restaurants are fully reserved. These operators, as well, organize tourist tours to the holy sites in EJ and Bethlehem, making arrangement to return tourists to West Jerusalem or to new Israeli hotels, especially those established in the in EJ.

In addition, tourist tours are restrained during evening hours in EJ, as commercial and business enterprises and shops close by 8 pm in the summer season, and by 6 pm in the winter season. The latter issue reflects the weak coordination between the commercial sector and the tourism sector, and the need for the activation of Tourism Cluster Board, which can handle some organizational and coordination functions (such as working hours, weekend, holidays...etc) among other issues, while taking into consideration the interests of both sectors which are neglected by the Israeli Municipality. This is particularly important, considering the Occupation Municipality’s schemes designed to undermine all types of economic, social and cultural activities in EJ.

There is also a wide gap between the state of infrastructure (including waste collection, roads and sidewalks, lighting of streets and other public facilities... etc.) in Arab neighborhoods markets compared to that in Israeli neighborhoods. This gap is the result of the Municipality’s racist discriminatory policy which has been burdening Jerusalemite commercial enterprises in EJ with heavy taxes, fees and fines in return for the poor services and negligence of the neighborhoods’ social and physical infrastructural needs. On the other

⁵⁰ The annual insurance premium for an Israeli tourist bus is NIS 20 thousand, whereas that for Arab tourist bus is NIS 40 thousand, in case paid immediately, rising up to NIS 72,000 if paid as installments. Based on Interviews with the owners of the tourist transport companies.

⁵¹ Palestinian Central Bureau of Statistics (2017), *Jerusalem Statistical Yearbook*, p.157.

hand, the WJM continued its endeavors to increase the attractiveness and competitiveness of West Jerusalem's markets by allocation of budgetary funds, helping the city maintain an active and lively nightlife offering all the recreational facilities and logistic services until late-night hours.

Despite the overwhelmingly difficult conditions and the sector's declining indicators, the tourism sector maintained a central role in Jerusalem's economy. Hotels and restaurants contributed around 20% of Jerusalem's GDP. In addition, the sector employed 20% of the labor force in EJ who work inside the annexed area where the Annexation Wall is being expanded. When adding the value added of other related activities, the sector's contribution to GDP rises to 40% of EJ's GDP⁵². Available data show that during the period between 2014 and 2016, the total value added of EJ's tourism sector was more than US\$ 40 million, while the number of workers increased up to 2,000 workers⁵³.

3.3 Objectives of the Tourism Sector Development Agenda

The main objective of the Tourism Development Agenda is to improve the competitiveness of the Palestinian tourism sector and to enable it to benefit from EJ's comparative advantage as an international tourist destination for religious services and other kinds of tourism. EJ has many of the most important holy sites for Muslims and Christians, rich cultural heritage, mild climate around the year, diverse and affordable and Palestinian cuisine, and a variety of entertainment facilities.

To achieve this objective, the following goals should be pursued:

- Increasing the attractiveness of hotels, restaurants and tourist markets in the Old City and its neighborhoods.
- Increasing the accommodation capacities by reopening the closed hotels or by building new ones.
- Capacity building of the sector's staff and workers in EJ and equipping them with the right skills needed for hospitality occupations.
- Developing promotional packages for groups and individuals by Palestinian tourism operators working in all stages of the value chain.
- Regulating the private sector institutions and enhancing collaboration among these institutions to improve the quality of tourism services, promoting the culture of tourism among residents and workers in Jerusalem, so they can leave positive impressions on domestic visitors and foreign tourists.
- Encouraging the diversification of tourism services to respond to the different backgrounds and cultures of all kinds of domestic and foreign tourists.

3.4 SWOT Analysis

Secondary data and information were collected from previous publications, and primary data and information were collected from interviews and discussions with stakeholders. The SWOT analysis was conducted in the focus groups with an active participation of main stakeholders in the sector, especially hotel managers, tourist souvenirs tradesmen, managers of travel agencies, as well as tour operators, tour guides, land transport companies, and representatives of cultural institutions and museums. The SWOT analysis of the sector's internal and external environments can be summarized under three titles:

⁵² UNCTAD, 2013, p. 13

⁵³ Palestinian Central Bureau of Statistics (2018), *Jerusalem Statistical Yearbook*,

- I. SWOT summary table, which provide the strengths and weaknesses of the sector's internal environment, and of the opportunities and threats of the external environment;
- II. An identification of the main challenges facing the sector; and
- III. An outline of the short and medium-term interventions for addressing challenges and achieving the objectives of the sector sub-program.

3.4.1 Summary of the SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Jerusalem is a unique global tourist destination, rich with cultural and religious heritage and ancient history. • Long-established and distinguished expertise in customer-oriented activities and areas related to tourism. • Friendly and hospitable workers and staff. The diversity of the internationally appealing Palestinian cuisine. • Other facilities supporting the tourism sector, like hotels, travel agencies, restaurants, land-transport...etc. • Hotels and restaurants are within close proximity to the Old City and most of tourist attractions. • The tourism sector and the supporting industries contribute more than 40% of EJ's GDP. EJ is close to other ancient tourist cities such as Bethlehem and Jericho. Thus, hotels in the city may cooperate and coordinate with hotels in these cities in case demand for hotels exceeds the city's capacity. An efficient land transport fleet of buses. 	<ul style="list-style-type: none"> • Most hotels, restaurants and tourist shops are incapable of restoring, maintaining and improving their facilities to stay attractive or to upgrade their services and competitiveness to attract tourists. Weak hospitality and language skills among workers in the field. • The restrained nightlife in the Old City and its neighborhood is a discouraging factor for domestic and foreign tourists. Weak marketing and promotional skills. Underdeveloped use of the Internet modern social media, and follow-up of customer satisfaction. • Shortage in the number and skills of Palestinian tour guides who are acquainted with the right Palestinian story against a large number of Israeli guides who promote their own ideological and political narratives about Jerusalem. • Shortage of skilled craftsmen capable of innovation and renovation of craftworks and traditional products to revive the supporting industries of the sectors, which facilitate openness to international markets. • Inability to compete with the competitive prices of hotels in Bethlehem, which adversely affects demand for hotels in Jerusalem. • Old-fashioned accounting and auditing systems that do not comply with the requirements of the Israeli tax and finance departments, and prevents hotels and restaurants from benefiting from maintenance grants and the periodic furnishing grants, granted to Israeli enterprises.
Opportunities	Threats
<ul style="list-style-type: none"> • Availability of a fleet of buses for transporting tourists between Bethlehem, Jerusalem and Jericho. The free movement of Jerusalem buses to historic and recreational sites and monuments in the West Bank, Jerusalem, inside the Green line 1948. Establishing strong relations with international and regional tourism operators, especially in countries that maintain good relations with Israel like Central Asian countries, Russia and South Africa. Strong potential also lies in the possibility of cooperating with Jordan, by organizing tourism packages that target Islamic countries whose citizens have never visited the top Islamic attractions (mosques). Increasing demand for religious tourism, especially Islamic tourism to alAqsa which is performed all year round because the number of tourist pilgrims can be increased significantly • The steady growth of international tourism and the low costs and advanced transport mediums. The diverse and mild climate year-round and the 	<ul style="list-style-type: none"> • Jerusalem Municipality's negligence of Arab neighborhoods where hotels are located, like lighting of streets and collecting waste reduces demand for its services and undermines investments in the related services sector like commercial shops, restaurants and coffee shops that are necessary for attracting tourists. Ongoing competition with Israeli hotels, especially those located in the eastern part of the city, leading to further decrease in demand for Jerusalemite hotels. Limitations on expansion and investment in the construction of new tourist facilities, like the restrictions imposed on land uses, licensing and building requirements, and the high construction costs. • Israel's control over crossing points and bridges with Jordan and Egypt, and Israeli airports, further restricting the entry of tourists into the Palestinian territory and depriving millions of tourists from visiting Jerusalem, based on political pretexts. The occupation of the city and Israeli propaganda promote feelings of instability and insecurity among tourists, affecting the choices, regarding their accommodations, tours and

<p>central geographical location of Palestine in general and of Jerusalem in particular, increase the possibility of expanding all subsets of tourism throughout the year in case of reaching a peace treaty.</p>	<p>shopping, diverting them away from EJ's markets and neighborhoods.</p> <ul style="list-style-type: none"> • Closing shops in early evening hours (around 6 pm and on Fridays) discourages tourists from staying and shopping in the eastern part of the city <p>The Palestinian Ministry of Tourism is prevented from having any activities in EJ, leaving the city without a national regulatory body that supervises and manages the sector; strengthening the work and cooperation among the main active actors, as well as promoting the sector and improving the quality of its services, and protecting the interests of Arab Jerusalemites in the face of the Occupation authorities' arbitrary and discriminatory measures, all of which threaten the competitiveness of the sector and leads to market contraction.</p> <ul style="list-style-type: none"> • The high Israeli income taxes, ranging between 44% -55%, raises the operational costs, and constitute a discouraging factor for businesspeople who opt to leave the city and start up their projects elsewhere.
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3.4.2 The Main Challenges Facing the Tourism Sector

- Lack of institutionalized cooperation and collaboration at the intra-sectoral level and at the inter-sectoral level, especially with the commercial sector, weakens competitiveness and market share. Furthermore, it hinders collective effort to face arbitrary Israeli hostile policies and measures that negatively impact the sector's businesses.
- The sector has been denied access to adequate and secured financing which hinders investments in the rehabilitation of operating hotels and restaurants, and in turn weakens the competitiveness the quality of their services, and attraction
- The attractiveness of the city as a top destination for tourists was adversely influenced by the large number of closed hotels and tourist shops affecting the absorptive capacity of the sector.
- The poor exploitation of domestic and inbound tourism (especially from Arab and Islamic countries) as a protection strategy and for enhancing the political and religious status of Jerusalem and preserving its cultural heritage.
- Facing the continuous application of the Occupation's discrimination policy, by raising the tax burden on EJ (Arnona) while cutting expenditure on basic services such as maintenance of roads and sidewalks, street lighting, supply of water and sanitation, and waste collection in streets and courtyards.
- Competitiveness of the national handicraft products against cheap imports of counterfeit products, and the limited introduction of new innovative and creative products, portraying "the symbolism of Jerusalem" beautifully.
- The scarcity in skilled staff equipped with the profession's skills, culture -informed and capable of providing high quality services that leave positive impressions on tourists.

3.4.3 Short and Medium-Term Interventions:

Implementation	Cost (\$ US)	Outcome	Output	Rationale	Intervention
Local contractors	50 million. Each Hotel will be offered a loan up to 3 million.	All EJ hotels increased occupancies and market shares with respect to Israeli hotels	20 hotels rehabilitated and well equipped	Increase attraction and comfort to tourists is essential to raise competitiveness and market share.	1-Develop and rehabilitate existing hotels, to enable them to provide excellent services at and competitive prices.
Bethlehem University; Al-Quds University; vocational education centers.	5 million	Scaled up skills for 500 new hospitality workers and professionals	New subsidized one-year hospitality learning program for youth in EJ is well running and graduating 100 new hospitality staff every year	Respond to the high demand for well-educated and skillful hospitality staff to work in the hotels and restaurants in EJ.	2. Set up a distinct academic program in hotel management taught at universities and colleges to prepare workers with the capacity to handle foreign tourists.
National and International experts;	100,000a year 500,000 for 5 years	. Scaled up businesses with distinct products and marketability	5 short courses a year aimed at developing the technical, administrative, product design, and marketing skills of craftsmen and product developer 50 craftsmen and product developers per year are trained and assisted in scaling up their businesses	Scale up the quality and innovation of souvenir and traditional products	3.Support traditional craft industries that depend on innovation and creativity, which embody the national attributes of Jerusalem, and its sites in their products.
Palestinian Banks; PIF,	Access to credit facility	EJ bus companies are more efficient and sustainable	All tourism bus fleets are modernized with increased reliability for comfortable travel for tourists.	Renewal of busses aged more than 5 years to assure comfort for tourists	4-Support for transportation companies to maintain modern bus fleets, and reduce insurance costs.
Al-Quds University; Bethlehem University; Birzeit University	1.2 million	More responsive service by well-prepared Palestinian tour guides	4 years well designed learning program for tour guides with proficiency in the right set of languages 50 guides ready to work after 5 years	Tour guides are key to provide the true story of EJ and for the promotion of its hotels, restaurants and souvenir shops	Increase the number of tourists guides and increase the needed languages
Bus companies of EJ;	30% subsidy of Bus cost will cost USD 1.5 million per year	5000 Palestinian individuals visiting EJ every day from remote cities	Provide regular shuttle buses from all WB and Gaza cities Every Friday, and Sunday to EJ	Utilize the huge local demand to visit EJ from all Palestinian localities and all age groups	6-Develop programs for local tourists around the year.

Implementation	Cost (\$ US)	Outcome	Output	Rationale	Intervention
Arab Hotels Association.	Credit facility for tour operators in the form of overdraft.	Improved tour operator's performance responding to the needs of tourists from the EU, Russia, the USA, and The Far East and Higher occupancy in EJ hotels, restaurants, and increase of sales in the gift shops.	Number of tour operators Increased; number of tourists. increased	Avoiding Israeli operators will increase occupancy and added value.	7-Encourage and support Palestinian Tour operators to promoting and organizing tours for EU, Russian, American, and Far East tourists.
Local contractors and Palestinian banks	USD 2 million risk fund	Increased hotels capacities and readiness to receive tourists	20 closed hotels will go back to business	This project aims at increasing EJ accommodation capacity	8-Revitalize closed hotels and prepare them for business again

3.5 Indicators for Measuring Progress in Implementing the Tourism Sector Agenda

The progress achieved in implementing the Tourism Sector Development Agenda can be measured by using the following indicators:

- Increase in hotels' occupancy rate and the average length of stay;
- Increase in the number of operating hotels and their absorptive capacity (number of rooms and accommodation capacity);
- Increase in the number of the sector's workers and their classifications;
- Increased volume of tourists and sources of domestic and inbound tourism
- Number of conferences and workshops held in hotels;
- Number of hotels that perform scheduled maintenance works as well as furniture and equipment renovation;
- Number of traditional craftwork shops and the change in the size of sales
- Increased number of tour guides;
- The quantitative and qualitative development of tourist buses;
- Improved customers' satisfaction with their accommodation in EJ hotels;
- Number of institute and college graduates of the various tourism professions

3.6 Risks facing the Implementation of the Tourism Sector Development Agenda

Risks	Probability	Impact	Risk Mitigation
Scarcity of funds for reopening closed hotels and tourist shops and rehabilitation of operating hotels and restaurants.	High	strong	<ol style="list-style-type: none"> 1. Looking for new potential partners to secure the needed funds. 2. Providing adequate guarantees to the PA's sources of funding, and loan guarantee programs 3. Resorting to small and microfinance institutions.
Lacking an institutionalized intra-sectoral collaboration, integration and unity among the sector's institutions, for safeguarding its interests and addressing constraints and measures affecting those interests, and to tackle issues related to unfair competition,	High	Medium	MoT and MNE should cooperate to assist stakeholders in institutionalizing collaboration and encourage cooperation among all stakeholders.
Continued and increased market Dumping with cheap counterfeit craftwork imports,	High	strong	Keeping records of original Palestinian craftworks, marking them with a special mark to differentiate them from their counterfeits,
Increased Israeli restrictions on tourist arrivals from friendly countries, heading to EJ.	Medium	Medium	<p>Monitoring Israel's measures at crossing points, and exposing its arbitrary measures.</p> <p>Continually publicizing these restrictions and contacting international organizations for lobbying and awareness raising on the issues</p>
Escalation in settlers' provocative harassments and Palestinians responses.	High	strong	<ol style="list-style-type: none"> 4. Safeguarding tourist shops. 5. Keeping order and self -restraint and preventing harming of tourists.

Chapter Four Housing Sector

4.1 Deprive Jerusalemites of the majority of their land

Right after its military aggression and occupation on 5 June, 1967, the IOA expanded the area of East Jerusalem by over 10 times from 6500 to 70,000 dunums and illegally annexed it to Israel and put under the control of the Municipality of West Jerusalem⁵⁴. Then it used all possible means to deprive the Palestinians in EJ and the 28 surrounding towns and villages of their land and reduce the area accessible for house construction. The IOA confiscated 23,378 dunums (or 32.7%) of the total for building colonies, zoned 18,000 dunums (25.2%) as green areas and for the construction of roads, and banned construction in an additional 21,795 dunums (or 30.5%) as a preserved area, and allotted some 9,000 dunums (12.6%) as building area for all the Palestinian inhabitants of EJ and its 28 satellite villages.

The latter share, actually includes the built-up areas of all neighborhoods of EJ and other annexed localities. So the Palestinians have either build in-between, or on rooftop of existing buildings. Replacing the old houses with new ones, if permitted, is also an option. The IOA use of further “series of discriminatory zoning policies allows Israel to make nearly impossible for Palestinians to acquire a building permit to build new structures or expand existing ones. Consequently, there is a high level of overcrowding, and Palestinians are forced to resort to construction of homes without permits. Moreover, Israel continues its policy of home demolitions under the pretext of unlicensed construction. (25,000 homes are at risk of demolition and 3,500 homes demolished since 1967)”⁵⁵.

These measures have impoverished thousands of households whose land plots were confiscated, zoned as green areas, and closed for future settlement expansion. Some households had to endure frequent threats of house demolition, with colonial settlements and roads constructed for the exclusive access of settlers in the surrounding areas. As a result, Palestinian Jerusalemites have effectively lost any opportunity to use their land to expand their houses or build new ones. The reductions of the land available for sale, and the rise in land prices as a result, have made land unaffordable for most Palestinian Jerusalemites.

In addition to those arbitrary measures, the occupation has instituted a despotic regime of policies meant to obstruct and complicate the process of building houses by Arab Jerusalemites:

4.2 Restrict the Palestinian use of land

4.2.1 Complicated procedures and costs for obtaining building permits, and onerous conditions for building

The Jerusalem Municipality applies the 1965 Israeli Planning and Building Law. Originally meant to regulate construction in West Jerusalem, the Law is currently effective in the areas annexed to EJ and its surrounding towns and villages. Although the income per capita for the Arab Jerusalemite population is less than one ninth that of the Israeli population, Palestinians

⁵⁴ Abdullah, Samir (2015), The Impact of Israeli Violations on Housing Sector in the OPT, MAS, p.24

⁵⁵ NAD, (20--), https://www.nad.ps/sites/default/files/50_years_of_occupation.pdf

must pay the same fees as Israelis⁵⁶. While Israelis receive ample government support, extensive facilities and generous incentives to build in the city– as part of the infamous "demographic balance" policy, Palestinians face copious obstacles and disincentives to deter them from building in their city. The high building fees levied by the various occupation departments, the cost of engineering design drawings, and the exorbitant costs of subdivision and registration of land (among other things) constitute the main obstacles for those wishing to obtain building permits. Below is an outline of the range of restrictions imposed on Palestinians for obtaining building permit:

A. Difficulty filing for construction permits due to complications in land registration procedures

One of the major obstacles Palestinians face is land registration, which is a prerequisite for applying for a building permit. Around 85% of the land in EJ and the neighboring towns and villages is not registered in the Land Registry Department⁵⁷. The IOA does not recognize property rights unless the applicant has title to the land. It rejects permit applications unless the registration process is completed. Its further decline applications in residential-zoned areas in EJ, where no construction can actually take place prior to the completion of a process of re-division (new unification and division) which requires the approval and physical presence of all owners⁵⁸.

B. No building permits are obtainable due to the absence of infrastructures

The Israeli Planning and Building Law prohibits construction in areas where there is underdeveloped or no infrastructure roads, water and sewage. The Law stipulates that these services, particularly roads, be legally constructed prior to granting permits. The fact is that many planned roads have yet to be built, and some existing roads do not conform to the master plans, makes them unfit for construction. The applicant is required to present a detailed plan for the road leading to the construction area, which often means an increase in the costs borne by the applicant for road construction. The applicant also bears the costs of connecting the planned construction to the sewerage system, which does not exist in many neighborhoods in EJ. In this case, the building must be connected to a sewage treatment plant, according to Bimkom report⁵⁹. In addition, many of the Palestinian neighborhoods cannot comply with the numerous arbitrary requirements, EJ lacks some 65 kilometers of main sewerage lines. Furthermore, obtaining a building permit requires at least one parking spot per housing unit. This condition has become one of the main obstacles due to the high population density in Palestinian neighborhoods⁶⁰.

C. The cost of obtaining a building permit is well beyond what Palestinian Jerusalemites can afford⁶¹

Those applying for building permits have to pay permit fees, development fees, betterment levies and others. The calculation is made on the basis of the area of the entire parcel, and not just the area of the building. For example, the permitting cost for the construction of a small house of 100 square meters on a plot of land with an area of 500 square meters is about USD

⁵⁶ GDP in the Jerusalem (J1) was \$1,023 million in 2013, while the population of the same area was about 250,000 (PCBS, *Jerusalem Statistical Yearbook*, 2015). In other words, the per capita income was \$4,000, compared to \$36,000 for the Israelis in the same year. In: Abdullah (2005), *ibid*, p.45

⁵⁷ Abdullah, Samir (2015), *The Impact of Israeli violations on the housing Sector in the Occupied Palestinian Territory*, MAS, p. 15

⁵⁸ An example of this situation was the "freeze of construction in 51 "reunification and re-division" plots in neighborhoods between Beit Hanina and Shu'fat for more than a decade before 2005. In: Abdullah (2015), *ibid*, p.46

⁵⁹ Meir Margalit (2003), *Chronic Discrimination in east Jerusalem-Evidence from the Municipal Budget*, Jerusalem center for social & Economic rights. P.33, in Abdullah (2015), p.44 BimKom (),

⁶⁰ Cohen-Bar, Efrat, "Trapped by Planning," p. 53. Retrieved from <http://bimkom.org/eng/wp-content/uploads/TrappedbyPlanning.pdf>; In Abdullah, (2015), *ibid*, p43-44

⁶¹ Cohen-Bar, Efrat, *Ibid*, in Abdullah, Samir (2015), p.45-49

22 thousand. The permitting process includes complex, long and costly hurdles on the path to obtaining building permits:

1. furnishing a proof of ownership: Applicant must submit a proof of land ownership recognized by the Land Registry Department. The Ministry of Justice must then confirm that there are no other claims to such lands. Then there is a confirmation from the Custodian of Absentee Property that the land is not under their management, and finally a confirmation from the Israel Mapping Centre that the land is identified for building, and that it has no additional identification.
2. Owners of the land must obtain a declaration from the Environment Department that the plot of land is not subject to nature protection.
3. A confirmation from the Department of Archaeology that the parcel has no archaeological or religious importance.
4. Payment of building permit fees. This begins with the payment of a file opening fee, and then development fees, road and sidewalk fees, water and sanitation infrastructure fees, betterment fees, fees related to land survey and registration, and fees for changing the nature of the use of land– from agricultural land to land for construction.
5. Additional conditions and restrictions on building permits: Due to the absence of municipal master plans, the applicants are required to prepare detailed drawings as an initial condition to be considered for the application. The municipality stipulates that the plan explicitly shows the parts to be parceled for public use such as construction of roads, and other infrastructure and green areas⁶².
6. The permitting costs for an apartment of 100 square meters are estimated at \$40,000, and due to delays, the applicant has to wait for a period between three and ten years to obtain the permit.

4.3 Impact of Israeli Restrictions on the Sector.

4.3.1 The first is the accumulation of large shortage in buildings, especially for residential purposes

Between 1967 and 2012, the Jerusalem Municipality granted 4,300 residential and non-residential building permits for Palestinians in Jerusalem and the surrounding towns and villages. These permits included extension to existing buildings, as well as construction of a single apartment, and multi-apartment buildings. On average, each permit added only 4 housing units⁶³.

In general, there is considerable variation in the authorization of permits over the period. Between 1967 and 1972, only eight permits were granted annually. The figure increased to 200 in the following decade (1973-1983), but declined to 50 in 1990-1991, and rose again to 280 in the years from 1992 to 2000. The years from 2005 to 2009 saw a significant decline (600 in total or 130 per year). The figure had remained almost unchanged during 2010-2015⁶⁴. This sheds lights on the fact that the slowdown in the authorization of building permits is a result of the Municipality's strict terms regarding land ownership and registration procedures in the Land Registry Department.⁶⁵

⁶² United Nations, Office for the Coordination of Humanitarian Affairs, Special Report, April 2009, Op. Cit., P. 8, In: Abdullah, Samir (2015), *ibid*, p.49-52

⁶³ Abdullah (2015), *ibid*. p49

⁶⁴ Cohen Bar, Efrat, (2014), *Ibid*, provided in: Abdullah, (2015), *ibid*. p. 49-50

⁶⁵ Cohen-Bar, Efrat, "Trapped by Planning," Op. cit., p. 53.

A study by the Israeli organization Ir Amim found that the rapid population growth in Palestinian communities has created a need for a minimum of 1,500 housing units annually. Despite this figure, the number of permits granted in 2008 did not exceed 400 units. In other words, there exists a gap equivalent to approximately 1,100 housing units between the number of units required to meet the natural growth rates and the actual number of permitted buildings⁶⁶. Based on these figures, the cumulative shortage during the period of 1993-2014 is estimated at 24,200 units⁶⁷. This does not even include the accumulated shortage for the 1967-1993 periods.

A comparison with the number of permits in Israeli neighborhoods reveals the severity of the plight. From 2005 to 2009, about 3,197 building permits were granted for the Jewish population in West and EJ. These permits led to the construction of 17,715 housing units, of which 2,350 (or 13.2%) were constructed in the Palestinian neighborhoods (whose population constitutes 37% of Jerusalem's total population). The remaining 86.8% (15,365 apartments) were built in West Jerusalem, whose population constitutes 61% of the total population in the Western and Eastern side of Jerusalem⁶⁸. During that period, the Jewish population approved building permit applications accounted for 55% of the total number of applications in EJ, while in West Jerusalem the percentage reached 9.86%. Although, these figures exemplify ethnic discrimination, they do not portray the full chapters of the tragedy. This is because these figures do not include the hundreds of Palestinian applications that are rejected at the file-opening stage.

These measures have led to an acute shortage of residential units in EJ and its Arab neighboring towns and villages within municipality jurisdiction. Some estimates put the shortage figure at 42,000 units. According to Bimkom's report "Trapped in Planning," [O]f Jerusalem's over 200,000 housing units, less than one quarter are located in the Palestinian neighborhoods. In other words, the 370,000 Palestinian residents of EJ have to make do with about 50,000 housing units (roughly 25% of the total number of units)." Because the average family size is large in the Palestinian neighborhoods in EJ, the report estimates the Palestinian neighborhoods' need at "about 72,500 housing units, a gap of about 24,350 housing units between the actual and the required number of housing units⁶⁹.

4.3.2 The Second is the increase in no-permit buildings

The Israeli violations of property and housing rights— including the confiscation of most of the land in EJ and the surrounding towns/villages, zoning the rest of the land as open, green and agricultural areas where construction is prohibited, in addition to the imposition of a series of complex construction permitting procedures, levying high fees for construction restricting building areas in the master plans, disapproving land ownership, and neglecting the development of the infrastructure— have left Arab Jerusalemites in a catch-22 situation, where they have no alternative but to build unauthorized housing units— a natural and legal right for citizens who inherited the land from their parents and grandparents, a right to a decent housing each citizen is entitled to.

Israel has indeed been aware of the non-permitted buildings, but it delays its response— considering that such unauthorized construction gives it the right to avenge the "culprits" by

⁶⁶ United Nations, Office for the Coordination of Humanitarian Affairs, (OCHA), "The Planning Crisis in East Jerusalem" (2009), p. 12.

⁶⁷ Abdullah (2015), *ibid.* p.50

⁶⁸ Samirat, I.(2016): *Economic Costs of the Demolition of Palestinian Houses in Jerusalem during 1967-2013* (in Arabic). Markaz Alma'lomat Albadeela: Publications of the Occupation Economy, Beit Sahour, West Bank.

⁶⁹ Cohen-Bar, Efrat, "Trapped by Planning," *Op. cit.*, p. 47.

charging them with heavy fines, and eventually forcing them to demolish their own homes and displacing their families into the unknown. From June, 1967 until the end of 2014, the Municipality of Jerusalem demolished about 1840 buildings. All houses built without permits, estimated at 20,000 -40,000, are facing the threat of demolition, and homes owners are in constant fear of receiving demolition orders and back-breaking fines⁷⁰.

The infamous "demographic balance" policy aimed at achieving a Jewish majority in the expanded city of Jerusalem is the main vehicle by which Israel assaults at the land and housing rights of Arabs in EJ and the towns and villages it annexed. First, most of land belonging to the Palestinians in these areas was confiscated. Second, Israel used structural planning to restrict the use of the remaining land for specific purposes other than construction, hence cramming the Palestinian Jerusalemites in the smallest possible area. Third, it imposed prohibitive conditions and exorbitant costs on building permits in the land zoned for construction. The number of building permits issued by the Jerusalem Municipality was much lower than the applications. This has exacerbated the already marked shortage—from 42,000 housing units in 2008, to a projected 100,000 in 2030 ⁷¹.

In the Palestinian side, the interventions to face the Israeli restrictions imposed on housing sector were ineffective. Over the past decades, two major organizations were established to deal with challenges in the housing and construction: the Jerusalem Housing Association and the Palestinian Council for Housing. There are three public bodies which also deal with housing sector: The Supreme Council for Endowment (Awqaf), the Supreme Council of Churches and the Engineers' Society.

Although these groups have concern toward housing and constructions in EJ, networking and collaboration between them are weak. Each organization prefers to work individually than collectively. Networks and relationships between those organizations need to be defined to promote competition and cooperation between them. The Palestinian Council for Housing is the only organization that deals with housing projects in East Jerusalem. Mobilizing financial recourses is still very modest to meet the huge demand for apartments⁷².

4.4 Housing Sector Objectives

1. Reducing the acute shortage (40,000-50,000 units) in the provision of decent housing for the Palestinian population in Jerusalem, with annual shortage estimated at 2000 apartments as a minimum to restrict additional rise in that shortage.
2. Protecting demolition-threatened houses, whose owners were either denied a permit or couldn't afford the requirements for a permit.
3. Increasing the area for construction through the development of structural drawings, subdivision of land still available for construction and providing the financial support required for that.
4. Looking for appropriate tools to provide financial support for the implementation of housing programs; the support is meant to cover the costs of permitting, construction and restoration of existing buildings to make them habitable, especially in the Old City.

⁷⁰ UN, Office for the Coordination of Human Affairs, OPT, April 2009, pp. 2-3.

⁷¹ National Bureau for Defending Land and Resisting Settlement- PLO, Israel's plan for the future of Jerusalem in any negotiation process (in Arabic). <http://www.nbprs.ps/news.php?action=show&id=4826>

⁷² Safadi, A. (2015): The determinants of Competitive capacity of Jerusalem City, as A Capital for Palestinian State, Master Thesis, AlQuds University, pp104-110.

4.5 SWOT Analysis

4.5.1 Summary of the SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • The religious and historical status of the city and connectedness and loyalty Palestinian Jerusalemites have toward their city • The housing and construction sector contributes more than 10% of GDP • Established expertise of sector developers • Constant attention to renovating the houses of the Old City and improving their suitability for dwelling; 	<ul style="list-style-type: none"> • There is no authorized Palestinian reference agency to facilitate and support for carrying detailed planning for land plots to allow Palestinian Jerusalemites apply for building permits. • High land prices, and high permitting fees, and high construction costs, and lack of financing are hard deterrence for decent housing in EJ. • Most of Old City houses suffer from a lack of regular restoration due to Israeli restrictions or lack of financial resources. • Absence of a technical support agencies to help in following the permitting procedures.
Opportunities	Threats
<ul style="list-style-type: none"> • The acute shortage in residential and non-residential buildings provides a profitable opportunity for real estate developers • Funding opportunities from Arab and Muslim countries for some housing projects in Jerusalem, such as the United Arab Emirates' Teacher Housing Project. • Potential for developing the building material industry and constructing low-cost housing suitable for low- and limited-income earners. • Large Islamic and Christian land properties could be used for large social housing for low income families 	<ul style="list-style-type: none"> • The IOA condition of 10 dunums as the minimum for the detailed land planning to accept owners building permits applications has denied Palestinian Jerusalemites of using their small unplanned land plots for building. • Ever increasing land prices, building permitting, and construction costs are depriving Palestinian Jerusalemites of decent housing. • Lack of infrastructure in Arab neighborhoods makes many households unable to obtain building permits. • Lack of access to finance construction, is limiting the ability of Palestinian Jerusalemites to build their homes. • Obtaining a construction permit for the Palestinian population is a complicated process that takes 3-10 years, compared to 8 months for the Jewish population. • Risks associated with building without permit– with thousands of homes under constant threat of demolition • Overcrowding in EJ houses is a main evacuator of its people. It further limits their rights for privacy, which has negative psychological impact on all family members especially on children and youngsters, and affect their education attainment.

4.5.2 Main challenges to the housing and construction sector

1. The responsibility of combating the arbitrary procedures and restrictions imposed on the use of land in Jerusalem for development and housing construction;
2. The responsibility of protecting the increasing number of demolition-threatened homes through legal support;
3. The responsibility of increasing house renovation projects in the Old City, and encouraging dwelling and resilience there; and
4. Providing the necessary funds to help Jerusalem's Palestinian population overcome the obstacles imposed on construction by the occupation authorities. It is necessary that these funds cover fees for drawings, land subdivision and permitting.

4.5.3 Short and Medium-Term Interventions in housing sector

Intervention	Rationale	Outcome	Output	Cost in M USD	Location
Stakeholders Coop Council/ focal point for the housing sector	A Coordination Council of main stakeholders and professionals to help in facilitating the collective effort in EJ neighborhoods in facing the housing crisis.	Well-functioning coordination body	Efficient secretariat services and follow up	USD 200K for the secretariats	The Stakeholders Council
50 Detailed Plans for housing and vital services: Schools, hospitals, parks, and sport infrastructure	Encourage neighbored households to unify their effort to overcome the minimum area limit;	Increase land plots ready for building permits Increase building permits for a minimum of 2500 housing units per year	100 detailed parcellation plan ready in 5 years	USD 50K each, up to 80% of cost. Total cost is estimated at \$5 million	Urban planning companies
Financing of construction permits costs before expiry date.	Failing in payment of building permit fees on time leads to the loss of long-awaited permit and all expensive documentation in the dossier. To renew the application, the applicant should start from scratch.	All initially approved building permits utilized.	Having poor owners of initial approval assisted to pay the required fees before the expiry date.	USD 2 million per year as a revolving standby facility	Grants from Arab donors;
Creation of building permits technical assistance office to assist poor household in preparing needed documents and applications for building permits.	This office can provide advisory assistance to Palestinian Jerusalemites in the preparation of documents required for applying for building permit.	Shortening of time, effort, and cost of building permits to EJ families	Well experienced legal and engineering staff ready to provide advice to applicants for building permits free of charge.	USD 2.5 million for 5 years	Relevant NGOs, Bar Association, Engineering Association
Establishment of housing fund for young couples; low income families Fund to ensure investment in the housing sector and participating in reducing the risks for the private sector.	Filling the gap in housing lending provision enable young couples; poor or limited income families' access to finance building, restoration, or purchasing their homes. The housing fund will provide loan guarantees to young couples.	More young couples will be able to get decent housing and stay inside the city	Well established housing fund to manage a revolving fund to help young couples, who have limited income have decent housing	USD 20 millions	Islamic and Christian Waqf; Palestinian banks, PIF, International donors

4.6 Indicators for measuring progress in implementing the development Agenda for the housing sector

- Number of collective land-detailed plans submitted to the authorities for approval– as a groundwork for construction;
- Number of building permits approved for construction;
- Number of units constructed annually;
- Number of demolition-threatened homes saved by litigation;
- Amount of housing-support funds and number of recipients;
- Number and area of units renovated and restored;
- Number of public facilities expected to be built, such as schools, healthcare centers and clubs;
- Amount of funding raised from donors to implement the Agenda interventions; and
- The amount of funding paid to implement different interventions.

4.7 Risks to the development of the construction and housing sector

Risk	Probability	Impact	Risk Management
• The failure of Jerusalem housing sector in forming a reference body to organize the sector and help in the implementation of the Agenda interventions	High	Medium	• Setting up a reference body approved by the PA, and giving it full powers to execute the needed interventions
• Lack of funds to implement the interventions	High	High	<ul style="list-style-type: none"> • -Re-prioritizing interventions towards the less costly, more effective ones • -Increasing allocations by the PA general budget and the PIF to finance interventions • -Launching local and Arab-Islamic donation campaigns to finance the Agenda's interventions
• -Israel's increased encroachment on the Arab's right to property and construction in Jerusalem and the transfer of areas zoned as "green" for the purpose of constructing colonial settlements	Medium	High	• -Combating the Israeli double standards, and racist policies of using the assigned green areas in EJ for building Jewish colonies by lobbying against resorting to international environment bodies and to ICC.
• -An increase in racist laws (by West Jerusalem Municipality and the Supreme Planning Council) regarding planning, the percentage of building area, the number of floors, waiting periods, permitting fees, validity of building permits, and permitting in subdivided lands	High	High	• Seeking help from the relevant international organizations to pressure the Government of Israel to remove restrictions on construction by the Palestinian population in Jerusalem

Chapter Five

Tradable Sectors Development Agenda

The tradable sectors included in the subprogram are manufacturing, agriculture and information technology sectors in EJ. Those sectors were affected the most by the Israeli occupation closure regime, and by high exposure to competition from Israeli and imported products and services. We will briefly look at the development indicators of these sectors, their weight in the Jerusalem economy, the challenges to their sustainability and growth, and the prospects for their development. These indicators are related to the unfavorable political context in the city characterized by the Israeli occupation and its arbitrary obstruction and blockage of the city for more than half a century, as well as the new challenges arising from the American administration's violation of International Law and all United Nations resolutions on the status of Jerusalem.

5.1 Tradable Goods Sectors

5.1.1 Industry

In 2015, the Jerusalem Governorate's industrial sector employed 5,051 workers and ran 1136 mining, manufacturing and electricity, and water and gas establishments, 1,111 of which were reported in the mining & manufacturing sector.⁷³ The sector's value added in the Jerusalem Governorate (J1 & J2) was \$280.4 million in the same year. The mining and manufacturing sector claimed 62.4% (\$174.9 million) of that output, with employment reaching 4,224 workers. The remaining 37.6%, equivalent to \$105.5 million was produced by the electricity, water and gas sub-sectors, which employed only 827 workers.⁷⁴

Distribution by area shows that J1 produced 41.6% of the total industrial value added of EJ in 2015, equivalent to \$116.7 million. On the other hand, J2 produced 58.4% or \$163.7 million. The industrial sector's contribution to the GDP of J1 (estimated at \$1,074 million) reached 10.9% in 2015, which compares well with the share of the industrial sector in the Palestinian GDP.

The sector includes more than 150 establishments, which run industries in furniture, clothing, construction materials, food, artisanal handicraft and traditional industries. As of 2013, less than 10% of establishments were still operating inside the Wall⁷⁵. However, establishments that moved outside the Wall maintained their permits to operate inside, so they can sell a portion of their products in EJ.

The most notable of such products are leather, textiles, building materials, and artisanal handicraft and traditional industries, which in particular, are essential in the Old City of Jerusalem because of their connection to tourism. One third EJ manufacturers work in the food industries. The IOA restrictions on food products coming into Jerusalem from outside the Wall, as well as the strict Israeli standards (which disapprove many of the products under the pretext of low quality) have enabled the major Israeli food industries to dominate the market in the city. Today, around 20% of businesses work in the leather, bags and footwear industries, 18% in furniture, and the rest in other activities such as textile, printing and publishing.

⁷³ Palestinian Central Bureau of Statistics (2017), *Jerusalem Statistical Yearbook*, p. 127.

⁷⁴ Ibid, pp. 153-154.

⁷⁵ PCBS, *Jerusalem Yearbook*, UNCTAD, 2013)

The market in the Old City of Jerusalem is home to micro and small, family run workshops, producing artisanal handicraft and traditional industries such as furniture, brass, embroidery and ceramics.

High wages in EJ due to the Israeli minimum wage policy⁷⁶, extremely high rent, high taxes, heavy handed municipal restrictions on building permits, and high cost of building permits and construction pushed most EJ manufacturing workshops to close down and move to EJ neighborhoods and towns outside the Wall, or to other WB cities, mainly to Hebron and Bethlehem. The traditional workshops are also subject to frequent inspections by municipal and fiscal authorities. Oftentimes, tax authorities confiscate production equipment to force workshops to pay the municipal tax (Arnona). Working under such unfavorable conditions most of those industries have not yet begun to utilize modern technology or high-tech design systems in production.

Artisanal handicraft and traditional industries were badly impacted by Israel's joining the WTO in 1995, and its opening up with South East Asia since 2002, which exposed the Palestinian products to harsh competition with imported cheap counterfeit goods, which are marketed as Palestinian goods at very low prices. The Israeli occupation policy makers, heavily involved in the protection of their SMEs and in helping their restructuring towards high value-added products, or in moving their manufacturing plants to the so called Qualified Industrial Zones (QUIZ) in Jordan and Egypt, do not give any attention to EJ manufacturing sector. They do not allow for a grace period, nor provide any kind of protection to the sector.

In addition, some tourist guides and agents lure tourists to buy from specific large shops in return for commission. This deprives small enterprises from the strong purchasing power of foreign tourism, which accounts for more than 60% of the total demand for such products.

Another major financial challenge faced by those producers is that on the one hand, it is increasingly difficult to obtain adequate funds from Palestinian banks, and on the other hand, most of those producers lack the willingness to deal with Israeli banks due to default risk which could eventually lead to foreclosure.

5.1.2 Agricultural sector

Published data indicates that the agricultural sector in EJ makes up a modest share of the GDP, and employs only 0.2% of the total workforce, which suffers from a lack of skilled agricultural workers.⁷⁷ Livestock businesses produce broiler and egg, in addition to livestock breeding, while farms produce mostly olive oil. About 3.5% of households rely on animal husbandry (especially in Sawahrah Al-Gharbiya, Sur Bahir, Um Tuba and other neighborhoods near the Wall to the east and southeast of Jerusalem), and 98% of the households are engaged in small-scale agricultural activities in home gardens⁷⁸.

Most of crop farms are located outside the Wall. In the past, Jerusalem markets were supplied with vegetables and fruit from villages northwest of the city. The Wall, however, has confiscated and closed large areas of fertile agricultural land. In addition, urbanization has reduced the area of agricultural land and the volume of fruits and vegetables output as a result. Today, vegetables, fruit and other products are supplied by the Israel's Central

⁷⁶ Israeli minimum wage is NIS 5300 compared to the Palestinian wage NIS 1495, for more information , see <http://www.aliqtisadi.ps>.

⁷⁷ Palestinian Central Bureau of Statistics (2017), Ibid, p. 63.

⁷⁸ Interview with Saleem Abu Ghazaleh, Reef Microcredit Company PARC,

Cooperative for the Marketing of Agricultural Produce (Tnuva), with the exception of olive, which becomes nowadays the most important crop in EJ.⁷⁹

Pressure on livestock production has continued to grow. Several orders by the Israeli Jerusalem Municipality and the Israeli Ministry of Health restrict livestock-related activities in the city. The Friday Market for Livestock, where livestock was traded near Al-Asbat (Lion Gate) Gate, was closed. Yet these restrictions have not stopped investment in the livestock sector.⁸⁰ Hamouda Dairy Company in Al-Sawahra Al-Sharqiyah, for example, has managed to obtain a permit for marketing its dairy products in EJ. Meat shops are supplied with meat from slaughterhouses in the industrial area of Atarot⁸¹, which is, in turn, is supplied with chickens from Israel and Palestinian livestock farms in Abu Ghosh and Beit Nekuba, west of West Jerusalem.

With this being the case, there is good potential for investment in animal production to meet the needs of Palestinian Jerusalemites, and open new jobs for hundreds of workers. This requires enhancing the expertise and knowledge necessary for constructing and managing modern farms for the production of poultry, eggs, white and red meat, and milk. There is also the possibility to benefit from the expertise of Palestinian farmers, who are working in advanced farms in Jerusalem area inside the Wall, as well as from the skilled Palestinian Jerusalemites working in the Israeli agricultural sector (who make up about 10% of the total number of Palestinian Jerusalemites working in Israel). It is important to encourage them to start their own projects, which will contribute to revitalizing EJ's economy and improving the food security for its citizens⁸².

5.2 Objectives of the Tradable Sectors Development Agenda

1. Increasing the industrial and agricultural production capacity (livestock production) and improving the competitiveness of products in EJ and increasing their share in the Jerusalem market as well as in the markets of the rest of the occupied State of Palestine and Israel.
2. the Jerusalem Chamber of Commerce, Industry, and Agriculture can play an active role in strengthening the integration of tradable sectors in Jerusalem with the Palestinian tradable sectors along value chain, and increasing EJ's tradable sector cooperation with the internal trade (wholesale and retail) and exporters.
3. Forming a reference association comprising agricultural and industrial sector producers with the purpose of promoting partnerships in joint export and import businesses, and enhancing collaboration between Jerusalemite producers and the West Bank and Gaza Strip retailers.
4. Supporting innovation in production to increase competitiveness and market share
5. Reducing the excess supply of cheap, low quality, counterfeit souvenirs in the Jerusalem market, which creates unfair competition with genuine Palestinian products.
6. Increasing the engagement of Palestinian banks in financing the tradable sectors in Jeans enlarging the active loan guarantees facilities to increase EJ's producers' access to finance.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Atarot industrial area was established in mid 1980s as part of the settlement enterprise to the north of East Jerusalem. Some Palestinian businesses moved to it to benefit from its infrastructure and proximity to cheap labor in rest of the West Bank.

⁸² Abu Ghosh and Beit Nekuba produce broiler chickens, eggs and breed meat cattle. It is possible to benefit from the expertise of the farmers of these towns in livestock production.

5.3 Tradable goods SWOT analysis

5.3.1 SWOT Summary Table

Strengths	Weaknesses
<ul style="list-style-type: none"> • Expanded expertise in leather, clothing, textiles, furniture, and artisanal handicraft and traditional industries. • Availability of well-trained, skilled workers who can use high-tech in production. • High quality, state-of-the-art products, especially in artisanal handicraft and traditional industries. • Good potential for increasing access of agricultural and industrial products to the Israeli market, and to export markets free of Israeli arbitrary measures that prevent West Bank and Gaza exporters. • Some production activities within the value chain (particularly within leather, artisanal handicraft and traditional industries) are independent of the Israeli market- making them resilient to unexpected shocks. • Availability of skilled labor in livestock breeding to meet the demand in EJ and its surrounding areas. 	<ul style="list-style-type: none"> • Too many producers moved their operations outside EJ. • Little effort exerted in scaling up and restructuring the manufacturing and agricultural production towards high value-added products, and overcoming the impact of high cost of labor on the competitiveness of EJ products. • Little effort in the promotion of investments and innovation in the EJ tradable goods, which reduced the contribution of this sector in the GDP of EJ. • Lack of access to funding from Palestinian banks to the sector weakened sector in EJ, the effect of the few financing initiatives to resolve the problem is not sufficient. • The Wall has raised production costs and sent many companies out of business, turning many business owners into wage-earners and forcing others to move out of the city. • Skill development in the city is not focused on what its market needs, which creates an ever-increasing gap in the needed skills.
Opportunities	Threats
<ul style="list-style-type: none"> • There is a great potential for exporting ceramic and other traditional products labeled with the name of "Jerusalem" to Arab Muslim, and many friendly countries. • Free movement of EJ businessmen to Israel and its ports could be utilized in marketing and exporting Palestinian goods, and in soliciting and importing know-how and high tech from producers of the rest of oPt. • The applicable high standard in EJ in the production of goods could be transferred to scale up the quality in the rest of oPt. This will help Palestinian products access to • Promising investment opportunities in modern livestock industries– which would harness the expertise, employ more labor and help Jerusalem and the rest of the Palestinian Territory provide a reliable source of food supply. 	<ul style="list-style-type: none"> • Dual colonial Israeli policy, by levying very high taxes on EJ residents and applying tightfisted spending on social and physical infrastructure, zoning and housing, and education, which worsened the business and investment climate. • 2. The occupation authorities continue to pressure Palestinian Jerusalemites politically and economically to push them out of the city. Arab Jerusalemites are subject to unfair municipal taxes and exorbitant building permitting fees. Israel deals with them as "dwellers", always threatened with ID revocation. • 2.The Israeli government and the municipal occupation authorities continue to disrupt the investment climate in the city in terms of basic services, especially in education, water supply, roads, quality of the environment and others that create a business unfriendly environment. • The occupation government is taking advantage of Trump's Administration's recent decision to move the US Embassy to Jerusalem to further isolate EJ from its Palestinian surroundings and increase restrictions on the city's economy and its central role. • Arab Jerusalem businesses continue to suffer from poor access to finance from Palestinian banks, owing to the lack of loan security and absence of plans to handle that problem. • Decline in agricultural produce owing to Israel's confiscation of arable land and the restrictions on raising livestock within EJ.

5.3.2 Main Challenges to the Development of the Productive Sectors

1. The unfavorable investment climate due to political instability and the Occupation's dual colonial hostile policies hamper development, especially arbitrary taxes and forsaking the development of social and physical infrastructure;
2. Safeguarding the Palestinian souvenir and handmade traditional products from unfair competition from Israeli and Palestinian imported cheap and low-quality counterfeit.
3. Lack of safe non-Israeli and friendly banking credit to Jerusalem's companies to finance new investments and/or modernize existing industries. Palestinian and Arab banks operating in rest of oPt are denied business in EJ.
4. The responsibility of taking all necessary actions to pressure Israel to abolish its decision regarding the closure of the Chamber of Commerce in EJ. If the establishment of such an institution is authorized it can effectively regulate the market and the economic sectors it represents (trade, industry and agriculture)

5.3.3 Short- and Medium-Term Interventions to Support food and Artisanal industries

Intervention	Rational	Output	outcome	Cost \$ U.S million	Implementation
1- Handcrafts Modernization Program.	Modernization of Handicrafts in EJ is badly needed to assist craftsmen better respond to market needs, scale up their productivity and quality of products, and increase their market share and profitability. The Agenda should provide new equipments and tools for design, production, and packaging. This should be accompanied with technical, marketing, and admin training.	30 handcrafts workshops will be modernized and well functioning. Craftsmen will be trained and able to use the new equipments and tools, and new products will be introduced in the market.	30 handcrafts workshops will reopen their workshops; New jobs will be opened for potential craftsmen, New attractive products introduced, and sustainability increased.	USD 10 million, for 5 years.	Trade Unions, Chambers of Unions should cooperate by adopting 4P marketing strategies. and promotion.
Support to SMEs in livestock projects such as egg production and broiler, milk and cattle fattening.	This project aims to improve food security for EJ, the West Bank, and the Gaza Strip population. It will create hundreds of sustainable new jobs, reduce dependency on Israel, and improve Palestine's trade balance.	10 livestock to-of-the line livestock farms established in J1. The combination of farms and production capacities will be determined upon the results of the feasibility study.	High quality red meat, white meat, milk, and eggs will replace imported livestock products in EJ the West Bank and the Gaza Strip.	USD 20 million credit facility for 5 years.	Livestock production Investors; Local and International expertise will be provided by interested donors
3-Investment in training and education of young craftsmen to obtain skills and innovative talents keeping up with modern times	Establishing vocational centers will provide workers skills and abilities that depend on High-tech. Such kind of training and education will be an innovative input.	The combination of skilled workers with new inputs and advanced technology will come up with new products that satisfy customers in both local and export markets. Also, skilled workers will be employed to produce competitive products.	Workers who own design skills, called designers –maker, will keep producing innovative products which are not produced in China or Turkey. Craft products own the symbol of “Jerusalem” with new styles and designs, such as: leather, wood, shoe,	Training will be provided to 1000 youth to work in the craft industry. The cost of the program approximates 5 million dollars.	-Vocational centers with regional and international new experts to train youth with new skills to work in craft industries that depend on entrepreneurship and innovation. 2-the Ministry of Higher Education should cooperate to establish new programs to enhance the role of the craft industry as a driver to accelerate growth and job creation in both industrial and tourism sectors and the entire economy. The EU has played a significant role in financing investments in the craft industry in terms of training human resources adapting and adoption of new technology

Intervention	Rational	Output	outcome	Cost \$ U.S million	Implementation
			jewelers, and copper products, new fashion, pottery and ceramics.		
4- Rehabilitation of closed shops to work in the production and marketing of handcrafts and traditional products that are within the tourist interests and concerns.	The rehabilitation of 600 shops will enhance forward and backward linkages of the EJ economy. Closed shops account for 30% of total shops in the Old City market of EJ.	Also, rehabilitation of closed shops should be accompanied with skilled owner who are specialized in certain occupation to run new business. A certain number of shops are out of business due to economic factors and market failure.	New opened shops, mainly in the -Old city of EJ, will be specialized in craft products at the retail level for tourists and local customers. New opened shops will1- Offer new products to new and old customers. 2- Apply marketing innovation to attract customers. 3- Process innovation to keep reducing the cost of running the business.	The cost of rehabilitation is based on: 1-The loss incurred by each shop. 2- Taxes to be paid to the Israeli Tax Department	The Chambers of Commerce and other Business and Trade Unions in Jerusalem, Bethlehem and Ramallah to evaluate reasons, and pushing and pulling factors behind moving businesses from Jerusalem to those cities. MAS could conduct research and evaluate surveys conducted on closed shops in the Old -City of EJ.

5.4 Performance monitoring indicators and assessment of results

- Number of companies that received assistance: reconstituted and resumed work.
- Number of new companies in productive sectors.
- Increasing production: value added.
- Increasing the production capacity of the sub-sectors, measured by the increase in value added– increased sales and market share.
- Number of shops reopened in the Old City.
- Number of companies that received funding from Palestinian banks and lending institutions.
- Number of graduates trained and qualified to work in small projects in closed shops.
- Number of new products whose production depends on innovation.
- Number of participants in management and marketing skills training.

5.5 Risk Management of Investment in Productive Tradable Sectors

Risk	Probability	Impact	Mitigation
Dumping cheap goods imported through Israel, which push Jerusalemites manufacturers out of business.	Medium	Strong	Distinguish Palestinian authentic goods and traders collaborating on boycotting goods cheap imitations
Increase in settlers provocation and violence in EJ	High	Strong	Avoiding confrontation in shopping areas making up for lost hours by extending open hours
Access of business to financing remains an embodiment.	Medium	Strong	Special focus of available loan grantees schemes on SMEs in Jerusalem businesses, and news loan guarantees might be needed
The Chamber of Commerce remains closed, and no alternative organization mechanism is established	High	Medium	More active and dynamic communications among members to establish organization mechanism to protect and safeguard the productive sectors and increase cooperation and coordination among stakeholders.
Lack of financial support to this program	high	Strong	Reprioritizing the interventions Allocating more funds from the PNA to the program.

5.6 Information and Communication Technology Sector

Although the contribution of the information technology sector (ICT) to the economy of EJ is still insignificant, we believe it should be included in the Agenda since it is a lever for economic and social growth in many countries around the world. Its underdevelopment and negligible share in GDP, employment and exports require that certain plans be geared to better supporting the sector.

5.6.1 Objectives of the ICT Sector Development Agenda

- Improving the skills of graduates in information technology, and developing digital curricula in line with the needs of global and local companies;
- Encouraging the use of information technology in other sectors, particularly the artisanal handicraft industries and tourism sub-sectors;
- Creating an enabling environment that can empower young Arab Jerusalemites and support their innovation initiatives within the sector.

5.6.2 ICT Sector SWOT Analysis

5.6.2.1 IT SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • A large number of graduates with computer engineering and information technology degrees • A constant growth in demand for services in this sector despite its relatively small share in terms of production, employment and export. • -An adequately developed infrastructure that can better support the provision of high-quality products and services– the low costs of Internet and telecommunications services can help improve the provision of electronic services. • Free movement and unrestricted access to international and Israeli IT giants, as well as access to IT Arab population experts within Israel. • Access to IT global markets does not need big investments. 	<ul style="list-style-type: none"> • The small size of the local market in EJ– and the restriction Israel imposes on the access of West Bank Palestinians (who represent the main clientele) to Jerusalem forced many IT entrepreneurs to set up their businesses in Ramallah, a city with expanding IT services. • IT graduates still lack some training and practical skills– which puts them at a disadvantage in terms of employment in international companies working in Jerusalem (such as Intel and Cisco, which also refrain from opening branches in Palestinian territories on these grounds). • The small size of the IT sector companies does not help create new jobs for the pool of graduates (with unemployment rate reaching 50%). • Lack of business incubators to stimulate innovation, entrepreneurship and initiation. • IT brain drain through USAID and Cisco, each of which attracts outstanding graduates to work abroad for generous privileges. • The low wages in the sector forces talents to seek other more-rewarding opportunities- this is the reason that IT companies have high turnover rates.
Opportunities	Threats
<ul style="list-style-type: none"> • A growing demand for IT and computer graduates in most regional countries looking for developing their economic, commodity and service sectors. • There are potentials for selling software services associated with the name "Jerusalem" abroad, especially in the Arab Region. • It is possible to bring in Arab IT experts from Israel to develop and modify the IT curricula in line with the requirements of international companies. This will help reduce unemployment and raise wages in the sector. 	<ul style="list-style-type: none"> • Restrictions (under security pretexts) by the Israeli occupation on Arab Jerusalemites with IT skills (particularly denying them jobs in high-tech industries)- a restriction that is also imposed on Arab Israeli IT professionals (with their employment in the Israeli high-tech industry at a meager 2% of total employment in the sector). • Poor investment in Arab Jerusalem's IT infrastructure– with entrepreneurs choosing to start businesses in Ramallah. • A gap between the skills graduates have and the real needs of the local and global markets. • A decline in the number of Palestinian students (especially Jerusalemites) choosing computer and IT Agendas in some Palestinian universities, which threatens the sustainability of such programs.

5.6.2.2 Main challenges to the development of the IT sector in EJ

- Our analysis suggests the existence of the following major challenges:
- The responsibility for improving the quality of education in various IT Agendas to producing graduates that can effectively join the labor market;
- The responsibility for addressing the problem of the high levels of unemployment among IT graduates;
- Poor infrastructure which would, otherwise, enable IT entrepreneurs to develop and implement their initiatives;
- Minimal use of information technology in many productive sectors: agriculture, industry, tourism, services and trade.

5.6.2.3 Short- and Medium-Term Interventions

Intervention	Rational	Output	Outcome	Cost in USD	Implementing Bodies
Scaling up the quality of ICT education programs in EJ universities which responds to market needs	High quality ICT education will increase productivity and innovation; employability of graduates; matching skills and capabilities with market needs, and enrollments in the ICT fields.	Top quality learning program for relevant ICT fields is running.	Highly qualified ICT graduates are available and contribute to advancing productivity in other sectors; attracting the attention of International companies.	USD 5 million	Faculties of Engineering, Science and Technology, Ministry of Higher Education.
Establishing of business Incubators for IT talent to host and empower youth talents	Business incubation has become an essential and effective tool to assist promising startups succeed.	Establishment of an IT business incubator. It can benefit from several successful experiences in other Palestinian cities.	IT business incubator with adequate capacity (no less than 10 startups) is well functioning. 10 startups every 6 months	USD 5 million for 5 years	PITA and PICTY or other relevant body; Palestinian IT Incubator experts working in Israel.
Internship program for IT graduates	On-job-training enables fresh graduates to make smooth transition from school to work. It provides practical training, knowledge on work ethics, team work, and communication skills, which increase their employability.	Enroll fresh EJ graduates in an internship program in cooperation with private sector organizations	Up to 200 IT graduates are will prepare for the job market.	USD 50,000 for the managing staff	NGOs and universities, and private sector companies such as Jawad, Wataniya, and banks
Wage subsidy program for IT unemployed youth	Provide on the job practical training for IT unemployed graduates to increase their employability	Provide 50% of IT graduate salary for 6 months to acquire practical experience. 100 graduates per year targeting both males and females will be enrolled in the program.	Increase the skills and practical experience, which will increase employability for 500 IT graduates, and encourage companies through the added value of having an IT expert in their companies	USD 1.5 million	EJ companies, institutions, and NGOs.

5.6.3 ICT Sector Performance Monitoring Indicators

- Number of participants in training programs at companies;
- Support allocated to ICT sector projects;
- Number of projects implemented within the framework of program interventions;
- Number of employees in these projects;
- Number of existing business incubators;
- Number of participating entrepreneurs;
- Number of students enrolled in university ICT, computer and computer engineering programs
- High-tech based commodity and service exports.

5.6.4 Risks to Implementing the Development of the ICT Sector

Risks	Probability	Severity	Risk management
<ul style="list-style-type: none"> • Continued Israeli security restrictions on hiring Arab Jerusalemites (with ICT, computer and electronic engineering degrees) in the Israeli high-tech industry 	High	High	<ul style="list-style-type: none"> • Recruiting Jerusalem ICT graduates by West Bank companies • Wooing ICT companies to invest in Palestine- would create jobs, and such companies would likely improve their profits thanks to low wages
<ul style="list-style-type: none"> • Israel's disapproval of granting permitting to business incubators or to applications for upgrading ICT infrastructure 	Medium	Low	<ul style="list-style-type: none"> • Setting up business incubators in neighborhoods or cities adjacent to Jerusalem • Prioritizing efforts to accommodate young Jerusalem ICT entrepreneurs in West Bank business incubators
<ul style="list-style-type: none"> • Lack of funding to program interventions 	High	High	<ul style="list-style-type: none"> • Reconsidering the scheme and design of interventions and increasing the contribution/ sponsorship of the private sector to certain interventions • Obtaining financial support from the PA budget
<ul style="list-style-type: none"> • Jerusalem companies' unwillingness to provide training to ICT graduates 	Medium	High	<ul style="list-style-type: none"> • Assisting Jerusalem ICT graduates receive training in West Bank companies and institutions
<ul style="list-style-type: none"> • 1948 Palestinian ICT experts unwilling to provide assistance in developing educational programs and business incubators 	Medium	High	<ul style="list-style-type: none"> • Bringing in Palestinian experts working abroad or international experts

Chapter Six

Internal Trade Sector

6.1 Situation of the Trade Sector

Internal trade comprises wholesale, retail, vehicle and repair and fuel trade. In 2017, the number of commercial enterprises working in EJ was 5,326, about 52% of the total number of enterprises in the governorate (J1 and J2). The number of workers was 11,318. Total output reached USD 569.7 million in 2016. However, the sector's indicators in Area J1 (the area inside the Wall) exhibit a downward trend; wholesale and retail trade's contribution to GDP declined from USD 414.3 million in 2012 to USD 347.8 million in 2016; the sector's contribution to GDP declined drastically from 41.7% to 26.8% during the same period⁸³.

The deterioration in the trade sector is associated with the Israeli isolation of the city from its shoppers/visitors coming from different Palestinian cities and villages in the oPt, who used to shop, work, and pray in the city. In addition, the eruption of confrontations and clashes triggered by settlers' provocative assaults in the Al Aqsa Mosque courtyard and in the Old City, escalate tension and lead to a slowdown in tourism activities. The spread out of Israeli policemen and border policemen and the increasing tax campaigns launched by tax authorities and the municipality, especially the *Arnona* tax, and other municipal taxes and arbitrary fines, drive dozens of the city's tradesmen out of business. Some of the city's shops were closed by a court order, for not paying the accumulating tax and fine debits⁸⁴.

The Israeli municipality's restraints, measures and fines imposed on some commercial activities, and the inadaptability of some of the tradesmen to new procedures, have led for example to most meat shops and dozens of other shops to go out of business. In addition, the municipality continues its discriminatory policy⁸⁵ of neglecting to provide basic municipal services to the city's streets, yards, and facilities, such as maintenance, waste collection, renovation, street lighting and provision of healthcare facilities, water, street benches and others, all detrimental to the city's status as an international tourist destination.

Being an ancient city filled with ancient gates and narrow alleys, the Old City's roads are made for pedestrian use that is not suitable for commuting with today's transportation mediums. This affects the types of goods and services vendible in its shops. The long-distance shoppers have to walk carrying their shopping bags, makes shoppers prefer buying their daily needs from stores outside the Old City. This problem necessitates helping shop owners to cope with the changing preferences of the Old City's visitors. Shutting down hundreds of shops in EJ, particularly in the Old City, and closing shops in early evening hours debilitated the city's markets and lessened its attractiveness to all types of visitors.

Considering these difficult circumstances, there is need for a development program to halt the deterioration of the sector and revive trade. To that end, a number of interviews and discussions were conducted with Jerusalemite tradesmen and merchants who have long expertise in this field and who are aware of the challenges facing the sector. Based on the discussions, a set of viable objectives/goals was defined, priority challenges were diagnosed, short and medium-term interventions that are practical and doable were identified to achieve those goals.

⁸³ PCBS (2018), Jerusalem Statistical Yearbook, August 2018, p.131, 169

⁸⁴ Badran, (2017), *ibid*

6.2 Objectives of the Internal Trade Agenda:

- Reviving commerce in Jerusalem, especially in the Old City.
- Regulating the commercial business activities in Jerusalem to respond to the interests of the trade sector and the tourism sector and enhancing cooperation and integration between the two sectors and with other sectors.
- Increasing Jerusalem’s attractiveness and developing its competitiveness as a top tourist attraction for inbound and domestic tourists, by the provision of high-quality yet affordable products and services.
- Reopening shops which were forced to close their doors for economic and financial reasons, building on the experiences of other historic cities that were able to restructure and rebuild their old markets in a way that reflects the aspirations and preferences of visitors.

6.3 SWOT Analysis of the Trade Sector’s

The analysis of the sector’s internal and external environments based on discussions in the focus groups and interviews with stakeholders, involves three areas: An analysis of the environment or what is referred to as SWOT analysis; The main challenges facing the sector; Short and medium-term interventions for addressing challenges and achieving the program’s objectives.

6.3.1 SWOT Summary

Strengths	Weaknesses
<ul style="list-style-type: none"> • EJ’s religious significance as a destination for prayer and pilgrimage. It is an international tourism destination filled with unique markets with remarkable designs attractive to all sorts of tourists. Thousands of Palestinian visitors and tourists from all over the world visit the city every day. • Jerusalemite tradesmen have been working in this profession for many ages, which was passed from one generation to the other, proud of their profession, and having the communication and language skills necessary to communicate with customers and visitors. • The trade sector’s contribution to Jerusalem’s GDP (the area inside the Wall (J1)) is the largest among the other economic sectors. • The trade sector’s contribution to employment is the largest as well, employing one-third of Palestinian Jerusalemites. 	<ul style="list-style-type: none"> • There are no efficient public promotional institutions working on promoting tourism in the city to attract tourists and shoppers. • Lack of a regulatory body responsible for regulating the working hours of the sector; following-up on the public interests of tradesmen; and establishing integral relations with the tourism sector. • The deteriorating competitiveness of the Old City’s markets, which used to be a destination for Palestinian Jerusalemites and domestic visitors from nearby cities and villages, substituted with supermarkets and huge retail centers (shopping malls) outside the Old City. • Lack of an authority/body, adequate funding sources, and technical and professional support to maintain the resilience of tradesmen and shops, especially those that have been closed because of losing their customers and means of sustainability.
Opportunities	Threats
<ul style="list-style-type: none"> • EJ is an international touristic destination for millions of tourists of different nationalities and religions each year. Thousands of Palestinians from the OPTs and 	<ul style="list-style-type: none"> • Instability as a result of settlers’ continuous assaults on Palestinians in the Al Aqsa Mosque courtyard, and clashes with praying Palestinians halting the commercial life

<p>Israel visit the city daily, especially on Fridays, and national holidays and during Muslims and Christians feasts, and the holy month of Ramadan.</p> <ul style="list-style-type: none"> • Jerusalem is a lively service and commercial center for all Palestinians, especially from central governorates, mostly for education and healthcare purposes. • Applying a preferential treatment to Jerusalem's products and services by the PNA, will economically revive the city. 	<p>in the Old City's markets and its neighborhood.</p> <ul style="list-style-type: none"> • The arbitrary fines and taxes imposed by the Israeli Municipality on Arab Jerusalemite tradesmen negatively affecting business turnover. • The six types of levied taxes are a heavy burden on Jerusalemite tradesmen and a push factor leading to diminishing internal trade. • Colony outposts inside the Old City, the high-security measures for guarding these outposts, and military checkpoints at their gates are all push factors affecting the shopping activity in the nearby shops. <ul style="list-style-type: none"> • Israeli competitor malls and big commercial centers such as "Malha Kenyon" and the "Mamilla Mall" in West Jerusalem, which launch continuous marketing campaigns for attracting Palestinian shoppers during holidays and feasts. • The spread out of street vendors is a form of unfair competition which affects selling activities in shops
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6.3.2 Main Challenges Facing the Trade Sector in EJ

1. Mitigating the consequences of settlers' assaults and Israeli policemen provocative actions to maintain the flow of business activities and to cut the sector's losses.
2. IOA closure of the Jerusalem Chamber of Commerce, Industry, and Agriculture left its members without any regulatory body, to take care of their common interests, and provide them with information, recommendations, certificates of origin, and other services.
3. Creating an interim body to provide most needed functions is important for their businesses and for helping them get organized to follow their interests.
4. Convincing closed shops owners in the Old City to reopen their shops and enabling them to resume their businesses, considering the changing conditions in their particular market.
5. Scaling up their administrative, technical, and marketing skills will contribute to their success, and increased resilience.
6. Breaking the isolation of Jerusalem, and enhancing its integration with the rest of the oPt as well as increasing the market share of Jerusalem's products in the Palestinian domestic market, though increasing private and governmental demand on these products.
7. Finding a feasible and sustainable solution to the problem facing shoppers in the Old City, i.e. carrying heavy shopping bags all the way from the market to the bus station will encourage shoppers to head to the Old City for shopping.

6.3.3 Proposed Short and Medium-term Interventions

Intervention	Rational	Output	Outcome	Cost	Implementation
Rehabilitate, remodel, and revitalize the closed shops inside the Old City.	Safeguard the property rights and Increase the attractiveness and profitability of shops in the Old City.	Reopen the 350 closed shops in the Old City	Most of the closed shops are open and back in business in the coming 5 years	Up to USD 10,000 loan and 5,000 subsidies for each, USD3.5 million credit USD 175,000 subsidy	Local small contractors
Conduct and implement a Promotion and Marketing Plan of Jerusalem focused on internal tourism.	Increasing the number of tourists and local shoppers in the city will create more jobs and revenues to merchants and craftsmen. The strategic plan should increase the attraction of the city by using all media tools, insuring the satisfaction of visitors, and provide information and volunteers to help visitors.	Professional promotion and marketing plan are prepared by a professional marketing body, with wide participation of all stakeholder.	The 5-year promotion and marketing strategic plan for the city is implemented	USD 500,000	Paltrade, Chambers of Commerce, Tourism Board
Provision of training and advisory sessions with Old City merchants to scale up their management, communication, and g sale skills.	Scaling up managerial, AND communication skills and attitudes will increase sales and insure customer satisfaction and loyalty.	A weekly 3 hours workshop for 20 owners/ managers of shops for 6 months, coached by highly qualified consultant. Training workshops At least 200 merchants are enlightened with essential managerial and marketing skills.	Improved managerial and marketing skills with strengthened trade and satisfaction	USD 20,000 for rental place, Secretarial work, coffee break, and Consultant fees	Chamber of Commerce
Establishing a decent transportation facility to help shoppers in carrying their purchased goods from the Old City to the bus station as a courtesy or for an affordable fee.	Shoppers from the Old City suffer from the difficulty of carrying goods from the Old City, so they hesitate to shopping from there. A safe and reliable facility for transporting their purchased good will encourage them to shop r the needs they wish to buy, which will increase demand for the Old City shops and scale up their steadfastness.	A cooperative like establishment could be established and equipped with handcarts and/or motorcars; starting with10 carts. A depository place could be arranged in the bus station to deliver the shipment safely to owners.	Shoppers are not worried about carrying heavy purchase from the Old City. Increased purchases from the Old City	Cost of handcarts USD 5,000 for regulation and contracts with volunteers; 12,000 for supervisor and depository	New town transportation cooperative
Encouraging and organizing internal solidarity tourism from Palestinian cities to EJ in the weekend and holidays	Most Palestinians are anxious to visit EJ. Thus, arranging for shuttle buses to transport visitors from their cities to EJ and get them back would be most welcomed by EJ shops and restaurants. The visitors can tour the Old City on their own, but provide voluntary guidance should be available for those in need to visit the main sights.	More visitors touring and shopping in the Old City	Merchants will get more shoppers and sales. Bus companies benefiting and expanding. A more revived and active tourism sector	There might a need to subsidize the cost of buses and cover the cost of organization and promotion of the trips and volunteer guides	Municipal councils, NGOs

6.4 Indicators for Measuring Progress in Implementing the Trade Sector Development Agenda

1. Number of shops that were rehabilitated inside and outside the Old City.
2. Number of commercial shops that were rehabilitated and reopened to resume its business.
1. The growth in the sales of the Old City's shops and its neighborhood and their turnout.
2. Increased working hours of the Old City's shops and the commercial market in the neighborhood.
3. Number of training workshops targeting tradesmen in the Old City.
4. Number of training workshop participants.
5. The growing number of domestic visitors from other Palestinian cities.
6. The growing number of Palestinian visitors from Galilee, *Al Muthalath* (Triangle) and the Negev.

6.5 Risks Facing the Implementation of the Trade Sector Development Program

Risks	Probability	Impact	Risk Mitigation
Escalation in Israeli provocative actions especially in the Al Aqsa Mosque courtyard	High	Strong	being compensate for the wasted time by increasing the working hours in the evening and launching marketing campaigns to attract shoppers
Tradesmen's uncooperative responses to initiatives and proposed interventions	Medium	High	Promoting initiatives and involving tradesmen in discussions that open the floor for sharing ideas, and modify these initiatives in light of their suggestions
Uncooperative Jerusalemite transport bus companies	High	Medium	Alternatives for transportations by using regular buses in two stops; departure points in Jerusalem to crossing points, and from crossing points to other areas and vice versa.
Lack of needed funding for implementing the proposed interventions	High	Medium	Rescheduling interventions by priority Reducing the scope or the size of interventions Allocation of budget support to top priority interventions.

Final status transitional economic issues

The Palestinian economy in general, and the economy of EJ in specific, was subjected to systematic and deliberate marginalization processes and policies. These processes entail two main tracks: The first is depriving the Palestinian people of most of their natural and economic resources, and the second is restricting their ability in using the little resources left to them. The impact of these processes and policies has resulted in the following phenomenas: Weak economic growth; heavy dependency on the Israeli economy; and fragile, fragmented, and distorted economy. So tackling the final status issues should start by dealing with the roots of the problem: getting back our resources and gaining our freedom to use them, and use them properly.

1. Land

- All Israeli laws and regulations related to the annexation of EJ and the surrounding 28 villages should be reversed, and the boarders be demarcated on the pre-1967 war boarders.
- The Palestinian Land Authority starts its work in providing registration services.
- Transfer of all records on land property rights within the whole area of J1&J2 to the Palestinian Land Authority by the Israeli land authority.
- Property tax should be harmonized with the rest of State of Palestine levels.

2. Planning and zoning

All master plans, in particular the Jerusalem 2000 Outline Plan, and all structural and detailed plans should be voided in all of the Palestinian areas. The Israeli Planning Council should transfer all approved, processing, and rejected plans conducted in the Palestinian areas to the Palestinian High Planning Council, which have to be ready to provide its services in EJG.

3. Building permits

- WJM should transfer all approved, under processing, and rejected applications to the interim EJ Municipality (EJM), which starts functioning per the agreed date for the transfer of authorities.
- Review all fees on building permits and keep it at the same level in Ramallah Municipality.
- EJM Licenses department should review rejected applications and check if the rejection is based on political reasons.
- Invite all owners of no permits buildings to submit their applications, and legalize all buildings, which meet the applicable Palestinian standards.
- Cancel the Arnona tax and apply the Palestinian land property tax.

4. Tourism

- Transfer all files of EJ licensees in the tourism sector in from the WJM to the Palestinian Ministry of Tourism (PMTA). This entails licenses of all EJ hotels, tour operators, Tour guides, souvenirs shops, travel agencies, restaurants, and tour bus companies.
- Transfer all tourism facilities in J1 area to the Palestinian PMT, including the Palestinian Museum (so called Rockefeller Museum).
- PMT ready to provide licenses to all Palestinian organizations and individuals of the tourism sector as per the Palestinian law and regulations.

- The Palestinian Tourism Police is ready to exercise its duties at main touristic sites according to a well prepared plan to protect tourists and touristic sites.
- The PMT starts changing all touristic signs and information plates to Arabic and English.

5. Other Economic Sectors

- IOA transfers all files and company registrar to the Ministry of National Economy (MNE). Harmonies all taxes and fees with Palestinian taxes: income, VAT, excises, and costumes.
- Transfer of all tax payers registry to the Palestinian Ministry of Finance and Planning;
- Re-Open and activate all closed organizations including the Orient House and the Chamber of Trade, Industry, and Agriculture;
- IOA transfers all tax payers files and registry to the Palestinian MOFP.
- Apply Palestinian laws and regulations to all kinds of businesses in EJ.
- Transfer of all Jerusalemites cars and drivers files to the Palestinian Ministry of transportation;

6. Municipality of East Jerusalem

- An interim municipal board selected by the PNA for a transitional period of 6 months;
- Transfer of all municipal buildings, facilities, schools ...etc. to EJ municipality.
- The Ministry of Local government starts the preparation for the Municipal elections.
- Transfer of population registry to the Palestinian Ministry of Interior (MOI);
- Identity Cards issued and distributed to all East Jerusalemites and Passports as well;
- Reviewing all Israeli Changed names of streets, circles, gardens, etc,
- The Palestinian Ministry of Transportation prepares and applies an internal transportation plan to replace the Israeli bus company.

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Footnotes:

1. Drafts reviewed by Jamil Rabah, Ashraf Khatib, Fouad Hallak and Varsen Aghabekian (all from the Palestinian Negotiations Support Project).
2. An example of this situation was the "freeze of construction in 51 "reunification and re-division" plots in neighborhoods between Beit Hanina and Shu'fat for more than a decade before 2005. In: Abdullah (2015), *ibid.* p.46 page26
3. GDP in the Jerusalem (J1) was \$1,023 million in 2013, while the population of the same area was about 250,000 (PCBS, Jerusalem Statistical Yearbook, 2015). In other words, the per capita income was \$4,000, compared to \$36,000 for the Israelis in the same year. In: Abdullah (2005), *ibid.*, p.45 page26
4. The Green Line is the pre-1967 border between Israel and the West Bank and Gaza Strip. Page 17
5. The annual insurance premium for an Israeli tourist bus is NIS 20 thousand, whereas that for Arab tourist bus is NIS 40 thousand, in case paid immediately, rising up to NIS 72,000 if paid as installments. Based on Interviews with the owners of the tourist transport companies.
6. The Blue Card ID was imposed on EJ population, who are censused in the first IOA census in 1967 within the enlarged EJ area. This card distinct their holders by giving them permanent residency status, which allow its holder free access to Israeli territory and some other benefits such as social security. But the permanent residency status changed the residency from being a right to privilege, which could be revoked by the Ministry of Interior if the holder do not comply with an ever changing policies, such as the center of life, loyalty, and so for. Page8
7. These data were obtained (after they had been modified at USD current prices and converted from annual to monthly data where necessary) from PCBS Palestine in Figures (2017) and Jerusalem Statistical Yearbook (2018) as well as Statistical Abstract of Israel (2017) issued by the Israeli Central Bureau of Statistics. Page11
8. Israeli minimum wage is NIS 5300 compared to the Palestinian wage NIS 1495, for more information, see <http://www.aliqtisadi.ps>. Forum for Israeli Studies, Ramallah, Palestine, pp.127-131.
9. Abu Ghosh and Beit Nekuba produce broiler chickens, eggs and breed meat cattle. It is possible to benefit from the expertise of the farmers of these towns in livestock production.
10. The services sector includes trade, transportation, accommodation, restaurants, telecommunications, health, education, liberal professionals, and others.

Appendix 1

Participants in individual interviews and focus groups

Name	Sector	Title/position/institution
Engineer Nidal Gheith	Investment	Business owner, former Director of Jerusalem Holding Company
Ziad Hammouri	Investment	Director of the Jerusalem Center for Economic and Social Rights, and an Economy expert
Engineer Ali Shqeirat	Housing	Director of Ali Shukairat Brothers Company
Engineer Sami Mashal	Housing	Engineer and Contractor - EJ
Engineer Mahmoud Zahaykeh	Housing	Chairman of the Union for Jerusalem Housing Assembly
Nabeel Harbawi	Investment	Businessman from Jerusalem
Ghaleb Kalouti	Investment	Businessman from Jerusalem
Abu Dhaher	Tourism	Member of the Board of Directors of the Chamber of Commerce
Basher Mashni	Tourism	Taj Cluster
Elias Tamas	Insurance	Insurance Agency
Raed Saadeh	Tourism	Hotel Owner – Head of the Tourism Cluster
Aref Husni	Information technology	Director of Al-Nayzak- Technology Sector
Firas Amad	Tourism	Director of the Holy Land Hotel
Jawad Abu Omar	Tourism	Chairman of the Tourism Committee in the Old City
Noora Qart	Tourism	President of Wojood Museum
Omar Khateeb	Tourist transport	Director of Jabal Al-zaytoon Bus Company
Engineer Hakam Salawdeh	Agriculture	Agricultural Relief Committee -PARC
Muhammad Qirrish		Economic researcher
Saleem Abu Ghazaleh	Agriculture	General Manager of Al Reef for Investment and Agricultural Marketing
Fadi Hidmi	Private sector	Former Director of the Arab Chamber of Commerce in Jerusalem

Focus groups

Tourism group

Omar Khateeb
Tony Khashan
Firas Amad
Manar Idrees
Raed Saadeh
Mahmoud Jaddeh
Basher Mashni
Ehab Ja'bari
Mahmoud Abu Eid

Housing group

Lawyer Raed Basheer
Engineer Mahmoud Zahaykeh
Engineer Samer Mashal
Naser Abu Leil
Hani Sroor
Hisham Al-bakri
Zeyad Zghair
Engineer Marwan Mimi

Investment and Information Technology Group

Zeyad Hammouri
Aref Hussein
Imad Muna
Farid Taweel
Dr. Iyad Jaber
Azzam Abu Sa'ood
Dr. Ahmed Seyam