

November 24, 2004

## Poverty Worsening in Israel and Palestinian Areas, 2 Studies Find

By GREG MYRE

**J**ERUSALEM, Nov. 23 - Two reports released Tuesday show that poverty has steadily worsened in Israel and risen significantly in the Palestinian territories since fighting erupted four years ago, though both economies have recently shown signs of stabilization.

The reports come at a time when Israelis and Palestinians are reassessing the conflict after the death of the Palestinian leader, Yasir Arafat. The overall level of violence has dropped lately, and the Palestinians are planning an election on Jan. 9 to replace Mr. Arafat as leader of the Palestinian Authority.

The economic collapse has been stark on the Palestinian side, with an estimated 47 percent of Palestinians living below the poverty line of \$410 a month for a family of six, according to a World Bank report that covered 2003. That was a slight improvement over 2002, when 51 percent of Palestinians were below the poverty line.

But the World Bank says the Palestinian economy has shrunk by 23 percent since 1999, the year before the Palestinian uprising began, and remains stagnant.

Nigel Roberts, the World Bank representative to the Palestinian areas, said much of the economic decline was linked to the web of travel restrictions that Israel had imposed, particularly in the West Bank. "They have fragmented Palestinian economic space, raised the cost of doing business and eliminated the predictability needed to conduct business," he said in a statement.

Israel says the restrictions are necessary to prevent attacks. Before the uprising, about 150,000 Palestinians entered Israel daily from the West Bank and the Gaza Strip, most to work. Now, only a trickle do.

Unemployment in the West Bank and the Gaza Strip is 26 percent, up from 10 percent when the uprising began, according to the World Bank.

While the Palestinian economy is heavily dependent on Israel, the Israeli economy has found substitutes for cheap Palestinian labor: workers from Asia and Eastern Europe.

Still, more than 22 percent of Israelis were living in poverty in 2003, up more than a percentage point from a year earlier and in keeping with the trend of the past few years, according to a report by the National Insurance Institute.

The poverty bar is set much higher in Israel, at about \$400 a month for an individual, and \$1,000 a month for a family of four.

Jerusalem is the poorest Israeli city, with one-third of the residents living in poverty, the report noted. The city has been particularly hard hit in recent years, with more suicide bombings than any other city and an attendant drop in tourism, on which it is heavily dependent.

While the Palestinian economy is treading water, Israel says its economy is growing at close to 4 percent this year, its best showing since the late 1990's.

The Israeli finance minister, Benjamin Netanyahu, has cut back a wide range of social programs over the past two years to reduce government spending and develop a more market-oriented economy. Critics say the cuts have contributed to the increase in poverty. But Mr. Netanyahu argues that the government can no longer afford such programs.

The Palestinians have grown hugely dependent on international aid, which has approached \$1 billion dollars annually for a Palestinian population of fewer than four million.

"Donors have more than doubled their disbursement of aid since the intifada, and this has in effect prevented a more drastic drop in living standards," Mr. Roberts said. "But these levels of assistance cannot be sustained indefinitely."

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