



NORWEGIAN  
REFUGEE COUNCIL  
المجلس النرويجي للاجئين

# The Economic Impact of Displacement

Analysis of the Economic Damage caused to Palestinian households  
as a Result of Displacement by Israeli Authorities

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Written by Shir Hever, April 2015



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Survey findings and some financial analysis included in this report are based on previous research conducted by Capra International for NRC during 2013.

Cover photo (front): a man sitting on the ruins of his demolished home, Hebron (JCToradi, 2009).

Cover photo (back): a demolished house in Area C (Muhammad Hadad, 2010).

The **Norwegian Refugee Council (NRC)** is an independent, international humanitarian non-governmental organisation that provides assistance, protection and durable solutions to refugees and internally displaced persons worldwide.

Please note that the views of the author do not necessarily reflect the views of the NRC.



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## 1. Executive Summary

Displacement is a recurring feature of every instance of settler-colonialism in history. The settlement enterprise in Palestine is no exception, and displacement has been a feature of that project since the late 19th century. Furthermore, displacement has been wielded as a weapon against the Palestinian population in every area of historical Palestine in one time or another. Nevertheless, this report will take a very narrow historical and geographical perspective, only looking at the displacement occurring in the present time, or in the last few years, within Area C of the West Bank and East Jerusalem.

The continuing large-scale dispossession of Palestinians in the occupied Palestinian territory (oPt) and inside Israel has been a defining feature of Palestinian reality in the face of Israeli expansionism. The constant threat of displacement has defined the Palestinian national movements, and the economic reality of the Palestinian people. Displacement affects hundreds of Palestinian households every year. In 2009-2013, the average number of people displaced every year in the West Bank alone was 856. An average of 499 Palestinian-owned structures in the West Bank were demolished by the Israeli authorities in those years.<sup>1</sup>

This report focuses on the economic aspects of displacement. The analysis has found that displacement, and even the threat of displacement, incurs heavy economic damage upon Palestinian households. Resources which could have been directed by Palestinian households to obtaining a higher standard of living, better employment and long-term investments have instead been spent on keeping a roof over their heads.

The findings of this report can be summarized as follows:

- There are nine forms of damage from which households suffer as a result of displacement.
- The loss of the house has been identified as the largest loss, followed by the reduced amount of income after the displacement.
- Families in East Jerusalem suffer losses three times larger on average than families in Area C.
- Intangible losses, such as the psychosocial impacts of displacement, are long-term yet difficult to fully estimate.
- The average adjusted damage inflicted on each household impacted by displacement was NIS 680,648 (2013 prices), or Euro 147,196, or US\$ 185,362. This amount must be understood as under-estimation, because of the inability of the survey to fully assess the intangible damage inflicted on households (through the psychosocial impact) and the long-term reduction in the productivity and standard of living of the households. It is also worth mentioning that the figures during the survey period reflect a ratio of 90% demolition rate in Area C and 10% demolition rate in East Jerusalem. This ratio might change in the future. For example, a higher demolition rate in East Jerusalem would shift the average adjusted damage closer to the East Jerusalem values, and result in a higher figure of the average adjusted damage.
- The average cost of reconstruction following displacement for a home in East Jerusalem was estimated at NIS 392,000 whilst the average cost of reconstruction for a home in Area C was estimated at NIS 61,523. The average cost of a home in East Jerusalem is estimated at NIS 1,079,502, whilst in Area C it is estimated at NIS 276,595.

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<sup>1</sup> Office for the Coordination of Humanitarian Affairs (OCHA), *Demolitions and Forced Displacement in the Occupied West Bank*, January 2012, [http://www.ochaopt.org/documents/ocha\\_opt\\_demolitions\\_factSheet\\_january\\_2012\\_english.pdf](http://www.ochaopt.org/documents/ocha_opt_demolitions_factSheet_january_2012_english.pdf), accessed June 2014; OCHA, *Forced Displacement*, 2013 <http://www.ochaopt.org/content.aspx?id=1010137>, accessed November 2014.

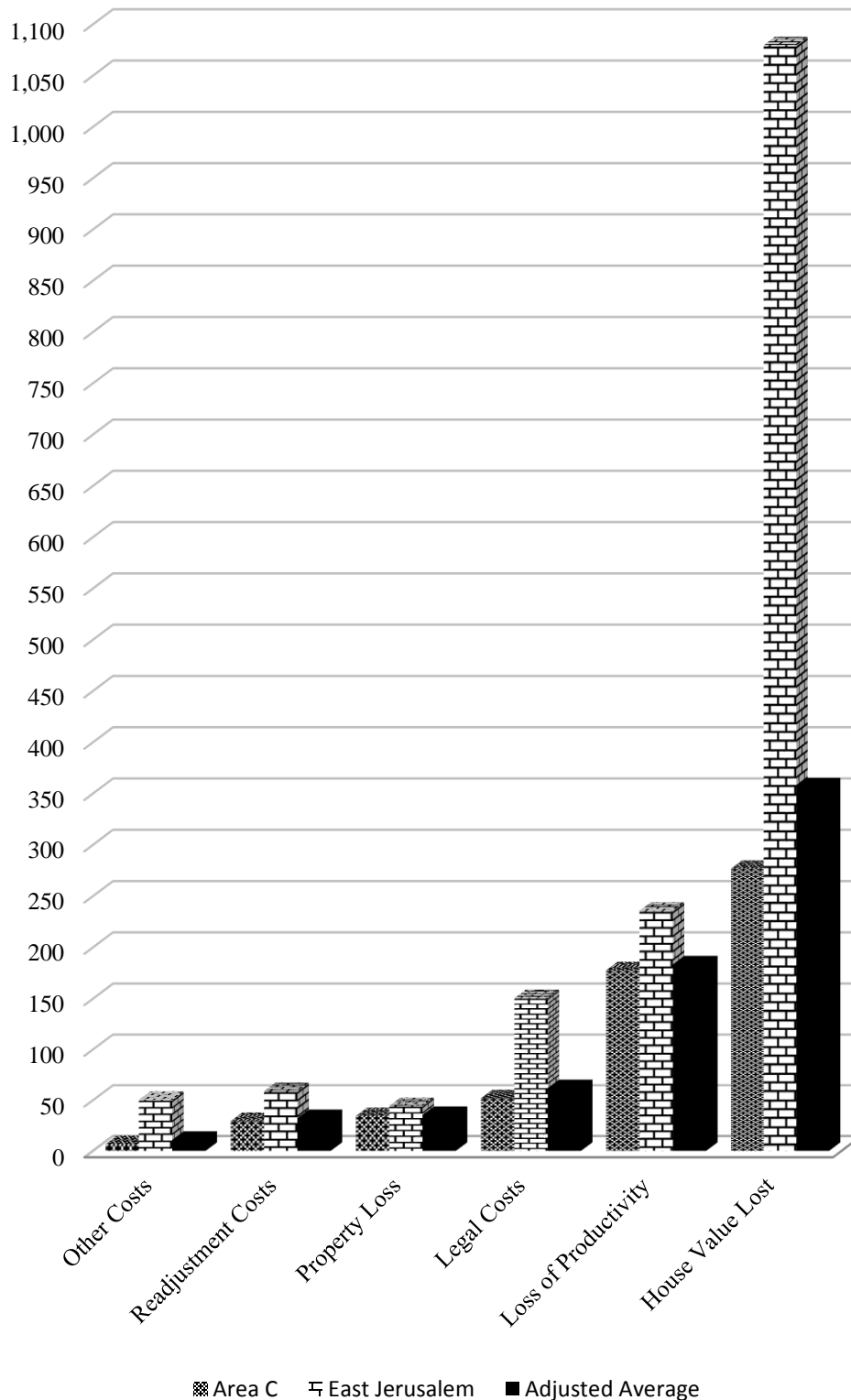
- Households who have been displaced from their residency suffer a decrease in the standard of living, and shift to a lower socioeconomic strata. Households in Area C move to residencies whose value is NIS 215,072 lower than before; in East Jerusalem households move to residencies whose value is NIS 687,002 lower than before.
- In Area C, 35.3% of the pupils and students surveyed were absent from their school for up to 40 days during the demolition or evacuation period. Sixty-eight children in the survey, which are 38.2% of the pupils and students surveyed in Area C, were negatively impacted regarding their academic studies, and 23.3% were forced to stop their academic studies altogether. In East Jerusalem, loss of up to 30 school days was registered among 28.3% of the respondents, 37% reported negative impact on their academic achievements, and 11.4% were forced to stop their academic studies altogether.
- Total legal costs to prevent displacement are NIS 51,887 in Area C and NIS 150,522 in East Jerusalem per household. Nevertheless, expenditure on legal aid pays-off with an average saving of more than twice the cost of the demolition and displacement, taking account of the economic benefits of prevented or deferred displacement.

Due to the imbalanced power relations between occupier and occupied, and the policies of the Israeli government and court system, Palestinians receive very little, if any, compensation when their property is confiscated or demolished by the Israeli authorities. Israel views its acts of demolition as the lawful exercise of Israeli domestic or military law. Not only does Israel see no legal basis for compensating Palestinians for the demolition of their homes, but contends that they have committed the unlawful acts by building without a permit – a permit that is near impossible for Palestinians to obtain. For Palestinians, every property which is confiscated or demolished is permanently and irrevocably lost, and all the labor and money invested in acquiring it gone. Meanwhile, Israeli authorities act with impunity. The imbalanced power relations between occupier and occupied ensures that they are not held accountable for damage inflicted on Palestinians.

Addressing the question of compensation is one of the tools which can be used to protect households from displacement on both a personal and a collective level, and this report can offer preliminary tools for calculating the damage inflicted upon households which suffer from displacement, as a step towards demanding compensation. As the demand for compensation, backed with studies such as this one, is made public, it may affect the way that the costs and benefits of displacement are assessed by Israel and other players. For example, credit rating agencies may take into account that compensation claims may succeed at some point in the future, and they might have implications for Israel's capability to meet its financial obligations. Such a realization could impact Israel's credit rating. In response, Israeli authorities might choose to scale down displacements in order to minimize future financial obligations which the Israeli taxpayers would have to meet.

While claims for compensation following displacement are important, it should be noted that they are not a substitute for the right of evicted Palestinians to return to their lands and homes, and should not be used as a tool which legitimizes the displacement in retrospect, or prejudices the rights of Palestinians under international law.

**Graph 1: Damage of Displacement**  
**Summary of Survey Results (NIS, thousands)**



## 2. Background

Background on Displacement: Displacement is not a new phenomenon in Israel/Palestine. The largest displacement in the history of Israel/Palestine was the *Naqba*, the deportation of the majority of the indigenous Palestinian population in 1948. An estimated 700,000 people were deported or fled from their homes, and were denied the right to return to their homes. This policy was implemented despite UN General Assembly Resolution 194 which demanded that the refugees be allowed to return, at the earliest practicable date, and compensated for loss of property.<sup>2</sup>

Since 1948, Israel continued to pursue a policy of displacing Palestinians through many different avenues. Lands of Palestinian Israeli citizens have been confiscated. The state made it difficult or even impossible for Palestinians to receive construction permits, to establish new communities or to expand existing ones. This led to illegal construction, which the Israeli authorities answer with continuous home demolitions, characterized by Israel as law-enforcement measures. The displacement of Palestinians inside Israel continues to this day, with government efforts to “Judaize” areas where Palestinian or Bedouin communities live, especially in the Galilee and in the south of Israel.<sup>3</sup>

In the wake of the 1967 war, and the occupation of the West Bank and Gaza Strip, the Israeli authorities intensified displacement efforts. Some communities have been entirely displaced,<sup>4</sup> and others were confined and prevented from expansion.

The rapid increase in size and population of the illegal Israeli settlements in the West Bank (and formerly in the Gaza Strip) has encroached on Palestinian land, and forced many households to be displaced from their ancestral lands.<sup>5</sup> These displacements have been especially harmful to agricultural communities, as well as in neighborhoods in East Jerusalem<sup>6</sup> and in the city of Hebron.<sup>7</sup> Of special note is the Jordan Valley, which had a population of a quarter of a million Palestinians at the time of its occupation in 1967, and today is home to about a fifth of its population.<sup>8</sup> In addition, the Israeli authorities have used house demolitions and displacement as a punitive tool, directed at families of Palestinians suspected of carrying out attacks against Israelis in order to deter Palestinians from committing these acts.<sup>9</sup>

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<sup>2</sup> United Nations (UN), 1948, “194 (III). Palestine – Progress Report of the United Nations Mediator,” 11 December 11 1948, <http://domino.un.org/unispal.nsf/0/c758572b78d1cd0085256bcf0077e51a?OpenDocument>, accessed June 2014.

<sup>3</sup> Yftachel, Oren, “Between Colonialism and Ethnocracy: ‘Creeping Apartheid’ in Israel/Palestine,” in Na’eem, Jeena (ed.), *Pretending Democracy: Israel, an Ethnocratic State*, Pretoria: Afro-Middle East Center AMEC, 2012, pp. 95-113; Mansour, Nasasra, “The Ongling Judaisation of the Naqab and the Struggle for Recognizing the Indigenous Rights of the Arab Bedouin People,” *Settler Colonial Studies*, Vol 2, No. 1, 2013, pp: 81-107.

<sup>4</sup> Reynolds, John, *Where Villages Stood: Israel’s Continuing Violations of International Law in Occupied Latroun*, 1967-2007, Ramallah: El-Haq, 2007.

<sup>5</sup> Gordon, Neve, *Israel’s Occupation*, Berkeley: University of California Press, 2008, pp. 122-138.

<sup>6</sup> OCHA, *Communities in the Jerusalem Periphery at Risk of Forced Displacement*, June 2013, [http://www.ochaopt.org/documents/ocha\\_opt\\_communities\\_jerusalem\\_factsheet\\_june\\_2013\\_english.pdf](http://www.ochaopt.org/documents/ocha_opt_communities_jerusalem_factsheet_june_2013_english.pdf), accessed June 2014.

<sup>7</sup> Ma’an Development Center, *Hebron Destroyed from Within; Fragmentation, Segregation and Forced Displacement*, Ramallah: Ma’an Development Center, 2008.

<sup>8</sup> European Union, *Area C and Palestinian State Building*, EU Report 78645962, July 2011.

<sup>9</sup> Darcy, Shane, *Israel’s Punitive House Demolition Policy: Collective Punishment in Violation of International Law*, Ramallah: Al-Haq, 2003.

Background on East Jerusalem: East Jerusalem is the only part of the West Bank which the Israeli government annexed to Israel, and to which Israeli domestic law replaced military orders and applied in its entirety. The attempt to Judaize East Jerusalem has been an ongoing project of Israeli governments and Jerusalem municipalities since 1967.<sup>10</sup> Municipal policies in East Jerusalem are politically motivated, and include an attempt to alter the demographic constitution of the city and increase the Jewish majority, with the stated aim of 70% Jews and 30% Palestinians in Jerusalem.<sup>11</sup> The consequence of these policies for the Palestinian residents of Jerusalem is a constant threat of displacement and dispossession.

Among the tools used by the Israeli authorities to displace Palestinians from East Jerusalem are bureaucratic policies to revoke residency status, leading to deportation;<sup>12</sup> defining Palestinian neighborhoods as “green zones” in which construction for residence is forbidden, refusing to issue building permits thus leading to house demolitions;<sup>13</sup> establishing national parks in order to encircle and isolate Palestinian neighborhoods, leading to confiscation of land without compensation;<sup>14</sup> and finally, pervasive discrimination in public services (education, health, infrastructure, garbage disposal and welfare) which directly and indirectly pressures Palestinians to relocate from the city to other parts of the West Bank.<sup>15</sup>

Background on Area C: As part of the Oslo Agreements of 1993, the oPt was divided into three sections. Area A where both security and civil powers were transferred to the PA; Area B where responsibility was transferred to the PA only in civil matters, and Israel remained responsible for security matters; and Area C, comprising 61% of the West Bank and the largest of these sections, which was left under full Israeli control over both civilian life and security in the area (responsibility for education and health of the Palestinian residents of Area C was transferred to the PA).<sup>16</sup> Although the Oslo Agreements were envisioned to end with Palestinian control over the West Bank by 1999, save for final status issues, no final agreement was signed. Until today, Israel continues to treat Area C as land which will remain indefinitely under Israeli control. In order to strengthen the Israeli hold on Area C, illegal settlements have been built and expanded at a rapid pace, enjoying generous government subsidies.<sup>17</sup> Meanwhile, Palestinians living in Area C have been prevented from receiving almost any building permits, as a way to encourage them to move out.<sup>18</sup> Those who chose to build despite the lack of a permit suffer from the threat of and/or actual

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<sup>10</sup> Amirav, Moshe, *The Jerusalem Syndrome: Israel's Unification Policy Delusions 1967-2007*, Jerusalem: Carmel (Hebrew), 2007.

<sup>11</sup> Bimkom, *Bimkom's Comments on the Local Outline Plan for Jerusalem 2000*, Jerusalem, May 2006 (Hebrew).

<sup>12</sup> B'tselem and Hamoked: Center for the Defence of the Individual, *Forbidden Families: Family Reunification and Child Registry in East Jerusalem*, January 2004, <http://www.hamoked.org.il/items/12600.pdf>, accessed July 2013 (Hebrew).

<sup>13</sup> OCHA, *East Jerusalem: Key Humanitarian Concerns*, Special Focus, Jerusalem, March 2011, pp. 22-39.

<sup>14</sup> Bimkom, 2012, *From Public to National: National Parks in East Jerusalem*, Jerusalem 7.

<sup>15</sup> Margalit, Meir, *Discrimination in the Heart of the Holy City*, Jerusalem: The International Peace and Cooperation Center, 2006; United Nations Conference on Trade and Development (UNCTAD), *The Palestinian Economy in East Jerusalem: Enduring Annexation, Isolation and Disintegration*, New York and Geneva: United Nations, 2013, pp. 21-24, 37.

<sup>16</sup> World Bank, *Area C and the Future of the Palestinian Economy, Poverty Reduction and Economic Management Department*, Middle East and North Africa Region, Report No. AUS2922, 2 October 2013, pp. vii, 3-4.

<sup>17</sup> Swirski, Shlomo & Konor-Attias, Eti, *Government Participation in Funding of Local Municipality Budgets 1991-2012*, Tel-Aviv: Adva Center, September 2014 (Hebrew).

<sup>18</sup> World Bank, *Area C and the Future of the Palestinian Economy, Poverty Reduction and Economic Management Department*, Middle East and North Africa Region, Report No. AUS2922, 2 October 2013, pp. 13-20.

house demolitions.<sup>19</sup> The illegal Wall built inside Area C has further contributed to displacement of Palestinian households.<sup>20</sup>

Analyzing and Understanding the Political Forces: For the Israeli authorities, the economic aspects of the occupation are of paramount importance. Large amounts of resources are spent on maintaining the Israeli Civil Administration, on the military courts, on house demolitions and on public diplomacy to help improve the public image of Israel despite its policies in the oPt. Furthermore, growing international criticism over Israeli policies have led to boycott actions by consumers, divestment from Israeli and international companies involved in the occupation and the threat of sanctions by international governments against Israel.<sup>21</sup> These forms of economic pressure have been acknowledged by the Israeli authorities as a threat they take seriously,<sup>22</sup> thereby reinforcing the conclusion that displacement policies can only continue to the point which the Israeli government believes they can carry on with impunity. The importance of shedding light on these policies as part of the effort to bring them to an end can therefore not be overestimated.

After decades of occupation, Palestinians have a good understanding of Israeli policies and their reasons. Resisting displacement is not merely a private struggle of a household to preserve their property and living conditions, but part of a political struggle for the right of Palestinians to their own land. The term “Sumud” in Arabic reflects the Palestinian steadfastness to remain on their land despite efforts to displace them. Several Palestinian organizations have adopted the slogan “existence is resistance,” which is related to the idea of Sumud.<sup>23</sup>

Legal action against displacement plays an important role in the encounter between displacement policies and opposing and challenging these policies. Palestinians face a dilemma when appealing to Israeli authorities, because such an appeal seems to lend legitimacy to the authority of Israeli occupation, and at times forces them to pay court fees which help to finance the Israeli court system. On the other hand, the court litigation creates knowledge about the Israeli policies, knowledge which can be spread further to encourage international intervention on behalf of the Palestinians. The legal process also has an important practical advantage, as on some occasions it can save the home from being demolished or prevent an eviction. Even when it does not succeed, the process can delay the displacement, allowing the household to remain in their property for additional years, saving them the cost of rent for those years at least, as well as delaying the traumatic impact of displacement on families.

### **3. Purpose of this Report**

Forced displacement is a topic of wide-reaching ramifications, and has been employed by Israeli authorities in an attempt to re-shape the areas under their control demographically, politically and economically. One

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<sup>19</sup> *Ibid.*

<sup>20</sup> IDP, *OPT: Thousands Displaced by House Demolitions and Separation Barrier*, Global IDP Project, *Reliefweb*, 9 July 2004, <http://reliefweb.int/report/occupied-palestinian-territory/opt-thousands-displaced-house-demolitions-and-separation>, accessed September 2014.

<sup>21</sup> For example, ‘Norway Drops Israeli Companies from Pension Fund over East Jerusalem Construction’ *Ha’aretz* 30 January 2014, <http://www.haaretz.com/news/diplomacy-defense/.premium-1.571505>; ‘Haaretz Obtains Full Document of EU-proposed Sanctions Against Israel’ *Ha’aretz* 17 November 2014, <http://www.haaretz.com/news/diplomacy-defense/.premium-1.626946>.

<sup>22</sup> ‘Us and Them’ *Economist*, 2 August 2014, <http://www.economist.com/news/briefing/21610312-pummelling-gaza-has-cost-israel-sympathy-not-just-europe-also-among-americans>, accessed September 2014.

<sup>23</sup> Kestler-D’Amours, Jilian, ‘In the Jordan Valley, Existence is Resistance’ *Al-Jazeera*, 29 July 2011, <http://www.aljazeera.com/indepth/opinion/2011/07/2011721104338450500.html>, accessed September 2014; Schiocchet, Leonardo, *Palestinian Sumud: Steadfastness, Ritual, and the Time Among Palestinian Refugees*, Birzeit University Working Paper 2011/51, 2011.

can approach the issue of displacement from many perspectives. Here, however, the aim of the study is narrowly defined as the economic impact of displacement on Palestinian households. No claim is made that non-economic aspects of displacement (such as the personal trauma or the political oppression) are of lesser importance, but the focus here will be on the material impact of displacement.

Displacement is a recurring feature of every instance of settler-colonialism in history. The settlement enterprise in Palestine is no exception, and displacement has been a feature of that project since the late 19th century.<sup>24</sup> Furthermore, displacement has been wielded as a weapon against the indigenous Palestinian population in every area of historical Palestine in one time or another. Nevertheless, the report will take a very narrow historical perspective, only looking at the displacement occurring in the present time, or in the last few years.

The report also focuses specifically on two locations: East Jerusalem and Area C. The choice has been taken for three reasons: (1) because these two areas are occupied and illegally colonized by Israel, and displacement in these areas has been accelerated in recent years in order to secure Israeli expansion; (2) These areas are considered both economically and politically indispensable for a future independent Palestinian state, and the Israeli displacement policy there is a direct effort to undermine the prospects of Palestinian statehood; (3) because of the support of the Norwegian Refugee Council (NRC) in these areas, specifically through the project of legal assistance to households under threat of house demolition and eviction.

a. Assessing the economic damage:

As noted, the purpose of an economic report is to assess the economic damage inflicted on Palestinians as a result of displacement by the Israeli occupation. Such evaluation is useful when considering allocation of resources to various forms of challenges against the policies and practices causing displacement.

b. Compensation:

The question of compensation is one of the tools which can be used to protect households from displacement on both a personal and a collective level, and this report can offer preliminary tools for calculating the damage inflicted upon households which suffer from displacement, as a step towards demanding compensation. Due to the imbalanced power relations between occupier and occupied, and the policies of the Israeli government and court system, Palestinians receive very little, if any, compensation when their property is confiscated or demolished by the Israeli authorities. Israel views its acts of demolition as the lawful exercise of Israeli domestic or military law. Not only does Israel see no legal basis for compensating Palestinians for the demolition of their homes, but contends that they have committed the unlawful acts by building without a permit – a permit that is near impossible for Palestinians to obtain. For Palestinians, every property which is confiscated or demolished is permanently and irrevocably lost, and all the labor and money invested in acquiring it gone. Meanwhile, Israeli authorities act with impunity. The imbalanced power relations between occupier and occupied ensure that they are not held accountable for the damage inflicted on Palestinians.

This report therefore aims to inform a future demand for compensation, whether through local or international bodies. The economic data can serve as a basis for calculating individual cases of

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<sup>24</sup> Wolfe, Patrick, "Purchase by Other Means: the Palestine *Nakba* and Zionism's Conquest of Economics," *Settler Colonial Studies*, Vol. 2, No. 1, 2012, pp. 133-171.

compensation. Further, the very existence of such a calculation which could assist in a future legal procedure might deter Israeli authorities from inflicting further harm, or at the very least help to reduce the rate of displacement, due to concerns that displacements would lead to financial liabilities in the future.

c. Cost effectiveness of supporting legal assistance

Because the NRC is currently assisting Palestinian families with the cost of legal representation in challenging demolition and eviction orders, the report also serves an additional purpose of providing a cost-effectiveness measurement for the legal assistance. The damage inflicted by displacement can be compared with the costs of maintaining NRC's involvement. The report looks to assess whether the NRC assistance constitutes an effective intervention from an economic perspective.

#### **4. Methodology**

The report is based on a combination of a fieldwork survey and secondary literature. It was commissioned by NRC.

**Field surveys:** The consulting company Capra International Inc. conducted the field survey in January-February 2013, and distributed a detailed questionnaire with 173 variables. A total of 480 questionnaires were distributed by 20 field surveyors (10 in East Jerusalem and 10 in Area C, in order to achieve a stratified sample). Field surveyors underwent two workshops for orientation, prior to distributing the surveys. The surveys were distributed in 21 locations in East Jerusalem and in 60 locations in Area C. Response rate to the questionnaires was 64%, with a total of 307 responders who were all displaced from their homes. The completed questionnaires included 153 responses from Area C and 154 from East Jerusalem.

**Estimated average house value:** A key element of the calculation is based on the estimation for the average house value which Palestinian households lose to demolitions and evictions. The house is expected to be the most valuable (but not the only) item of damage inflicted in the course of displacement. Estimating the value of the house is a task whose difficulty is compounded by the reality of displacement on the ground. The desired amount is the use-value of the residency to the household, because that figure would indicate the actual damage inflicted upon the family. However, house-values are typically estimated using their exchange-value in the real-estate market. In areas in which houses are frequently demolished, potential purchasers would be loath to pay high amounts for a residency, leading to a gross under-estimation of the value of the houses concerned if the exchange-value is used as a proxy for the use-value. On the other hand, asking household members to estimate the value of their own house can lead to over-estimation as a result of the desire of the household members to receive higher compensation for their demolished house. Even if the household members understand that their response to the survey will not affect their future claim for compensation, they are likely to over-estimate their response to match figures which they will use to try to appeal for compensation through other venues.

The survey asked households to estimate their own house value, within three options: as worth under NIS 300,000, between NIS 300,000 and NIS 450,000 or above NIS 450,000. The three categories have been chosen arbitrarily. The responders from East Jerusalem answered as follows: 48.1% under NIS 300,000, 13% between NIS 300,000 and NIS 450,000, 35.2% above NIS 450,000 and 3.7% not applicable. Responders from Area C answered as follows: 87% under NIS 300,000, 5% between NIS 300,000 and NIS 450,000, 6% above NIS 450,000 and 2% not applicable.

Costs of reconstruction: The survey also inquired as to the costs of reconstruction, and found that in Area C, household spent an average of NIS 61,523 on rebuilding their residency, and in East Jerusalem the average was NIS 392,500. The numbers vary widely between households, and the average calculated cannot serve as an estimator for the value of the demolished house. This is because of the combination of the loss of income effect and because of the effect of the changed expectations of the household. The loss of income effect means that households who have been displaced from their residency suffer a decrease in the standard of living, and shift to a lower socioeconomic strata. They are often no longer able to afford to return to the same level of housing density and quality of residency which they previously had, and therefore would rebuild their home with a smaller space and/or lower quality. The impact of changed expectation also affects the reconstruction costs. Households who had their house demolished and decide to rebuild their home without a permit realize that they continue to face the risk of a second (or third, fourth, and so forth) demolition and displacement. They would be less inclined to make a large investment in their housing, knowing that they could lose it again.<sup>25</sup> Therefore, the calculation of the house value will not be based on the reconstruction costs.

The average house or apartment value for a single household in East Jerusalem in 2011 was estimated at US\$ 290,000<sup>26</sup> or NIS 988,900. The consumer price index increase for housing between the end of 2011 and the beginning of 2014 was 8.87%, so an average house value in East Jerusalem in 2014 would be US\$ 315,736, or NIS 1,079,502.

Because about 90% of the displacements take place in Area C, the average house value for Area C is of greater importance. According to the World Bank, average land prices in Area C is less than a third of the average land value in Area A and Area B. The reason for this is the difficulty of developing land in Area C, and the constant risk of demolitions.<sup>27</sup> One can therefore assume that the market prices in Area C would be much lower than market prices for similar houses in other parts of the West Bank. However, for the purpose of the calculation here we should not adopt this price difference, given that the reason for the low values in Area C are precisely the displacements whose value we are trying to calculate. Therefore, we should take the average West Bank house values as a baseline, under the assumption that once displacements will stop, house values in Area C will recover and reach the West Bank average.

The Palestinian Central Bureau of Statistics Housing Survey found that an average West Bank household pays 164.8 Jordanian Dinars per month on a housing unit.<sup>28</sup> The rent yield percentage is unknown, but in Israel it is 3.45%. Assuming that the rent yield is similar in the West Bank, this leads to an estimated house price of NIS 276,595 in the West Bank. Prices have been adjusted for the end of 2013 based on the consumer price index for housing.<sup>29</sup> By adjusting for the weights of 90% demolitions in Area C and 10% in East

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<sup>25</sup> By comparing the average house value in the relevant areas with the estimated cost of reconstruction of the house for households who lost their homes (based on the result of the survey), one can note the clear reduction in the house value. In Area C, survey respondents reported that they intend to pay NIS 61,523 for house reconstruction on average, a mere 22% of the average house value in the West Bank. In East Jerusalem, respondents reported that they intend to pay an average of NIS 392,500 for reconstruction, a mere 36% of the average house value in East Jerusalem.

<sup>26</sup> International Peace and Cooperation Center (IPCC), *East Jerusalem Housing Review*, Jerusalem, 2013.

<sup>27</sup> World Bank, *Area C and the Future of the Palestinian Economy, Poverty Reduction and Economic Management Department*, Middle East and North Africa Region, Report No. AUS2922, 2 October 2013, p. 19.

<sup>28</sup> Palestinian Central Bureau of Statistics (PCBS), *Housing Conditions Survey 2010*, Main Results, Ramallah, April 2011, p. 26.

<sup>29</sup> PCBS (2014a), *Monthly Consumer Price Index Numbers by Major Groups of Expenditure and Region for January-December 2011 and Percent Changes from January-December 2010*, [http://www.pcbs.gov.ps/Portals/\\_Rainbow/Documents/e-cpi-ave-2011-base%20year-2010.htm](http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/e-cpi-ave-2011-base%20year-2010.htm), accessed July 2014; PCBS (2014b), *Monthly Consumer Price Index Numbers by Major Groups of Expenditure and Region for January-May 2014 and Percent Changes from December 2013*, [http://www.pcbs.gov.ps/Portals/\\_Rainbow/Documents/e-cpi-major-2014.htm](http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/e-cpi-major-2014.htm), accessed July 2014.

Jerusalem,<sup>30</sup> a rough estimate of the value of a demolished house is NIS 356,885. This amount will serve in the calculation to follow, but in cases of appeals for compensation, the actual individual house values should be used.

The differential impact of displacement on different families and in different contexts should also be noted. The costs of displacement for a herding family in Area C, whose members are living in extreme financial hardship, supported financially by international humanitarian agencies and are subject to multiple displacements, is different from that of a long-established family in East Jerusalem whose members are losing their family home. Other variables include whether displaced families chose to rent, buy elsewhere or build again. In some cases decisions may be made to move from East Jerusalem or Area C to Areas A or B in an effort to avoid future displacement.

## **5. Economic Impact of Displacement**

The damages incurred by displacement begin long before the household in question is forced to move. As soon as the threat of displacement becomes imminent, the families enter a state of stress. This stress is not only psychological and social, but also has direct economic ramifications. Households will tend to cling to their house, despite the decrease in the value of a house under threat of demolition.

Palestinian families are loathe to move to a new address of their own volition, if they are concerned that their home and/or lands will be bought or confiscated for the purpose of building Israeli settlements. This worry is based on the fact that Israeli settlement organizations sometimes use misinformation and straw organizations in order to purchase lands from Palestinians.<sup>31</sup> This reality means that Palestinian families suffer from a loss of mobility in areas under threat of displacement, and are sometimes afraid even to move to a different house within the same community. The loss of mobility also affects their access to employment opportunities and higher education in nearby cities.

For the purpose of this report, the damage incurred by displacement will be divided into the following forms:

1. Cost of new residence (rent, cost for rebuilding or buying a new property).
2. Cost of readjustment (finding new employment, schools, health services).
3. Indirect damage as a result of disconnection from social fabric following the displacement.
4. Indirect damage as a result of psychological trauma from the loss of a home.
5. Legal fees and fines levied by the Israeli courts.
6. Loss of furniture and personal possessions which are damaged or destroyed in the process of displacement.
7. Loss of productivity due to worsened living conditions.
8. Loss of real-estate property (house and/or land owned by the household).
9. Loss of time due to the displacement itself and the time needed for readjustment.

Not all of these nine items apply to every case of dispossession. Item 1 (cost of a new residence), for example, will not be calculated here in order to avoid a double calculation with item 8 (loss of real-estate

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<sup>30</sup> OCHA, 2012. Clearly the demolition rates might fluctuate over time between Area C and East Jerusalem, see, for example, December 2014 figures, OCHA, *West Bank Demolitions and Displacement*, December 2014, [http://www.ochaopt.org/documents/ocha\\_demolition\\_monthly\\_report\\_december\\_2014.pdf](http://www.ochaopt.org/documents/ocha_demolition_monthly_report_december_2014.pdf) accessed 2 March 2015.

<sup>31</sup> Hasson, 2010.

property). Furthermore, even in cases where they all apply, the damage cannot always be measured, especially the indirect damage. Nevertheless, it is important to acknowledge the widespread economic impact of dispossession, even if the economic calculation which follows is only a partial one.

The destruction of one's own home, the forced displacement and need to seek new residency, are both a social and a personal psychological event of far-reaching negative implications. For example, people who are forced to move away from their supportive social network in time of need, suffer from social and psychological damage. Item 3 (indirect damage as a result of disconnection from social fabric following displacement) and Item 4 (indirect damage as a result of psychological trauma from the loss of a home) will be considered together under the term "psycho-social damage".

The structure of the following calculation is based on an opportunity-cost perspective. Households which are not under threat of displacement are able to invest in long-term improvements to their residency, thereby reducing the time and resources needed to maintain their home. They can make decisions regarding education matters, healthcare and employment based on relevant considerations and while being free of the fear that such decisions would lead them to lose their home. The resources which these households save may be spent on bettering their lot and attaining a higher standard of living, better health and upwards social mobility, rather than be spent on legal battles to preserve their home, and/or on rebuilding a demolished house.

#### **Case-study: Hares Village**

Ali Hussein Hassan Al-Jabiri (age 50) is from Hares Village in the Salfit governorate, Area C. He is a married father of ten children. The Al-Jabiri family used to live in a small three-room house with a total area of 80 square meters. It is located on the side of a main road (Samaria Highway). Mr Al-Jabiri sold the house to his brother in order to build a new house on his land which is located on the east side of the village. The family had to move to the new house before the building was completed. Their old house was too small, far from the village and in bad condition. The children used to face difficulties and dangers when crossing the highway on the way to their schools.

On June 30, 2010, Mr Al-Jabiri received a warrant to stop the construction of the new home, and he subsequently contacted the Jerusalem Legal Aid Center (JLAC). The appeal against the house demolition was rejected on November 5, 2012, and the request to enable the family to prepare a detailed building plan and obtain a building permit was rejected as well.

On November 7, 2012, Israeli troops accompanied a bulldozer and showed up at the family's property without any prior notice. A soldier ordered the wife and children, who were in the house at the time, to evacuate the house as there is a demolition order. The soldiers did not allow for any belongings to be removed. The family was shocked as the new house cost NIS 250,000 and they were obliged to sell their old house to complete the construction.

The demolition of the Al-Jabiri's home crushed the family's livelihood and dreams. Hopes of the elder son to get married and live in one of the apartments built in the new home, while his siblings reside in the second apartment in better living and psychological conditions than those they experienced in the older house, were dashed.

As a result of the demolition, the family currently rents a small apartment that does not meet their needs. The financial burden includes the monthly rent of NIS 800 and the debt from the original amount borrowed to construct the now demolished house. Mr Al-Jabiri's children ask regularly why their home was demolished, and where they are going to live. This traumatic experience had its psychological effects on the children.

## **6. Data and Analysis**

Breaking down the economic impact of displacement into nine forms of damage, allows us to pursue a separate calculation for each of the nine, in an attempt to reach a comprehensive view. Although an accurate and comprehensive assessment of the damage is not realistically achievable within the scope of this survey, the structural methodology presented here offers a layout in order to create a rough estimate of the damage due to displacement, as well as in order to plan further studies in the future, with a greater focus on the areas in which this study has not explored fully.

### **6.1 Cost of New Residence**

Unless the family being displaced becomes homeless, attaining a new residence is part of the readjustment process following displacement. The family may choose to rent an apartment or buy a new one. Due to the acute shortage of housing in areas where the Israeli authorities refuse to grant building permits, many households build their own homes, and rebuild them after the demolition. Since there is no guarantee that the house will not be demolished for the second time (or third, and so on), families often choose to use the cheapest methods available to rebuild, using inferior materials. This choice creates a distortion in the calculation, because it shifts some of the economic damage due to displacement from Item 1 (cost of a new residence) to Item 7 (loss of productivity due to worsened living conditions). Because Item 7 is more difficult to measure than Item 1, this causes an under-estimation of the damage.

Estimating Item 1 (cost of a new residence) is based on two sums, the average cost of rebuilding or purchasing a new residence, and the average cost of rent until such a residence can be found. The first number is based on the average value of the home reported by Palestinians who participated in the sample. According to the UN, 90% of house demolitions in the oPt occur in Area C, and the rest are mostly in East Jerusalem.<sup>32</sup> Although not all displacements involve house demolitions, this can serve as a baseline for calculating the average value of a residency from which a household was displaced. Table 1 below summarizes the results of the survey regarding the value of houses for families who suffered from displacement:

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<sup>32</sup> OCHA, 2012.

**Table 1: Value of Residency**

Value of the Residency	Area C	East Jerusalem
under NIS 300,000	87.0%	48.1%
NIS 300,000 - NIS 450,000	5.0%	13.0%
Above NIS 450,000	6.0%	35.2%
Not applicable	2.0%	3.7%

Source: Survey

The results of the survey are consistent with the estimate used for value of demolished house, whose calculation is elaborated under “Methodology,” above, at NIS 356,885. This amount is used for a single household.

## **6.2 Cost of Readjustment (finding new employment, schools, health services)**

According to the survey, households reported an average of NIS 24,037 as their adjustment costs in the West Bank, and NIS 50,300 in East Jerusalem. These include costs of transport of the family members and their remaining belongings to a new residency, the cost of new furniture and costs of readjustment regarding places of work, etc. For example, 14.9% of the respondents to the survey reported that they were forced to change their children’s school. For 13.4% of the respondents, additional costs for transportation of children to school were incurred as a result of the displacement.

Households also paid readjustment costs by moving their furniture and other possessions from their previous residency from which they were displaced. In Area C, respondents reported that the cost of transporting furniture was NIS 1,918, and in East Jerusalem these average costs were reported at NIS 5,400.

It is assumed that the cost is a single, one-time expenditure, and that shortly after the displacement, the household is aware of all of the costs associated with the readjustment. In cases that additional costs of readjustment will emerge at a later time, the survey is likely to have missed those expenditures.

## **6.3 Psycho-social Damage**

Psycho-social costs are known to be a combination of non-quantifiable costs such as fear and distress, and quantifiable costs such as lifestyle changes. Psycho-social damage includes Items 3 and 4 mentioned at the beginning of section 5, as well as part of Item 9. The study results indicate that there is a significant impact on the social life of the families as described below. These results are in line with a study that was conducted by Save the Children in October 2009 on the impact of forced displacement in high risk areas.<sup>33</sup> Of those who were displaced, 98.6% of the respondents in Area C admitted to having at least one family member with sociological problems. In addition to this, another 92.7% stated that the sociological problems had a financial impact on them. In East Jerusalem, 95.7% of the respondents admitted to having at least one family member with sociological problems after the displacement. In East Jerusalem, 79.4% of the respondents stated that they were financially affected by sociological problems.

The 2009 report found several psychological symptoms which affected both adult and children victims of displacement. The main symptoms were changes in eating/dietary habits, changes in the relationship between parents and children, and between those children affected by displacement and other children,

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<sup>33</sup> Save the Children, 2009.

children who began sucking their thumbs, depression, feeling of being careless and of being lost, feelings of defiance and anger, introversion, preference to stay alone, preoccupation with worries, repeated visits to the demolished homes, and urination reflex in children (bedwetting).

Save the Children have stated that “children whose homes have been demolished show a decline in their mental health, suffering classic signs of trauma, becoming withdrawn, depressed and anxious.” These findings support the findings of the survey of this report. Moreover, the study shows that psychological damage due to displacement begins even before the actual demolition, as the fear and insecurity due to the threat of displacement leading up to the demolition itself can cause severe anxieties. In the Save the Children study, 75% of the residents in the high risk areas reported feeling depressed compared with 56% of the general population. The psychological state of parents has a major impact on the children’s mental health, especially for children under 12 years of age.<sup>34</sup>

According to the survey prepared for this report, 52% of the Area C respondents acquired physical health problems after displacement, while in East Jerusalem this percentage was 41.3%. Health troubles varied from diabetes, hypertension and heart attack, to death. It is safe to assume that some of the health problems were incurred or intensified as a result of the psychological stress which accompanies the displacement.

Further, health problems have economic implications. The cost of health problems, as reported by the respondents, varied from NIS 500 to NIS 27,000. The total amount of the health costs reported by people who responded to the relevant question regarding health costs was NIS 110,666. This number cannot, however, serve for an estimation of the health damage caused by displacement, because none of the respondents were able to quantify the economic impact of the health problems attributed directly to the displacement or to the risk of displacement.

Problems related to schooling and education lie on the border between the psychological and the social impact of the displacement. Pupils reported that their achievements in school deteriorated during the time of the displacement – a combination of the psychological trauma from which they suffer, and other factors related to the displacement (such as children who are afraid to leave the house and go to school, because they hope to defend the house or at least their belongings from demolition by staying at home). Yet, regardless of the reasons for the impacted education, the consequences of poorer education quality are social. Pupils and students will have fewer options for employment, and less desirable ones, if their education suffers as a result of displacement.

In Area C, 35.3% of the pupils and students surveyed were absent from their school for up to 40 days during the demolition or evacuation period. Sixty-eight children in the survey, which are 38.2% of the pupils and students surveyed in Area C, were negatively impacted regarding their academic studies, and 23.3% were forced to stop their academic studies altogether. In East Jerusalem, loss of up to 30 school days was registered among 28.3% of the respondents, 37% reported negative impact on their academic achievements, and 11.4% were forced to stop their academic studies altogether.

Overall, the survey findings indicated a significant psycho-social damage inflicted through displacement, but lacked the methodological means to quantify this damage. Therefore, the calculation will proceed without this estimate, creating a distortion in the calculation leading to an understatement of the true damage caused by displacement. This gap may be corrected in a future study.

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<sup>34</sup> *Ibid.*

## 6.4 Legal Fees and Fines Levied by the Israeli Courts

### Case-study: Al Bustan, East Jerusalem

In East Jerusalem, Palestinian families in the Al Bustan neighborhood in Silwan, have been receiving demolition orders since 2005. These orders, as claimed by the Israeli authorities, are issued because the houses in this neighborhood were built without permits. The residents are unable to obtain building permits for the homes on their land, since the Municipality of Jerusalem plans to build a public archeological park there.

Mr. M.K, a resident of the neighborhood received a demolition order in 1999. He appointed lawyers to take care of his case and paid more than NIS 92,000 in legal fines, lawyers' and engineers' fees. When NRC began to support his legal case, he was able to start concentrating more on the family's basic needs, and even saving some money and investing it in his son's university degree. One of his sons said that he feels depressed and did not continue his university studies because he thinks that saving the family house is a priority: "I left school at a young age because my dad invested all he has in delaying the demolition orders; I did not want him to pay for my degree; I can live without a degree but we cannot live without a house".

Mr. S.Q, who does not receive legal support, received his first house demolition order in 1995. He paid NIS 27,500 as a fine for building without permit. Then, in 2010, he paid another fine of NIS 25,000. He mentioned that more than 75% of his income goes to the lawyer and the courts hoping to cancel the demolition order.

The legal costs incurred on household in threat of displacement are divided into four parts:

1. Lawyer cost
2. Court fees
3. Fines
4. Demolition fees

Except the first one, these costs are paid to the Israeli authorities, thereby constituting not only a form of damage on the impacted households, but also a direct economic exploitation of the victims, who are charged with some of the costs of the demolition process. The Israeli military courts (in Area C) and civilian courts (in East Jerusalem) are funded by the Israeli government and their operations indeed cost money. Some of the operational costs of these Israeli courts are funded by the court fees and fines levied on applicants and plaintiffs, including on the Palestinian households under threat of displacement. In East Jerusalem, the courts sometimes place the cost of the demolition of the house on the evicted family, forcing them to pay for the cost of the sanction which they were subjected to. As noted, this is also a form of economic exploitation. Only the cost of the lawyer, often a Palestinian lawyer, is not part of the way by which the Israeli authorities benefit economically from the demolition.

In terms of the cost of a lawyer, it is assumed that the households would commission a lawyer as a result of a rational decision, in which they consider the chance of success of their case in court, or of delaying the demolition, and weigh it against the cost of the lawyer. According to the survey, it was found that even in cases in which the lawyers were not able to prevent the displacement, they were usually able to postpone it. This postponement allows the family to continue using the house for additional months and even years,

thereby avoiding paying rent and suffering various damages for that time period. Among the participants of the survey, only one has succeeded to prevent a demolition through legal action. Nevertheless, many Palestinians believe that taking a legal action against the displacement policy plays an important role in preserving their dignity.

As NRC supports the provision of legal aid to Palestinian families under threat of displacement, it is in a unique position to assess the cost-effectiveness of this aid. The majority of households who were presented with an eviction order chose to appeal to the courts. Even though many of these appeals eventually fail to prevent the eviction, they do extend the legal process and postpone the eviction, thereby reducing the expenses related with displacement. In the meantime the lawyers, as well as NRC, attempt to explore options that would allow regularization of the building or the residential rights of the family to remain in the building, either through obtaining a permit, submitting a plan or other legal approaches, thus avoiding the displacement of the family.

Measuring the cost of legal action to try to prevent or postpone a demolition with the benefits, the cost-benefit model compared the scenario of avoiding a legal struggle and having the house demolished, with a failed appeal which nevertheless postponed the implementation of the displacement. The cost-benefit analysis compared the amount of legal aid which the family would receive for the purpose of filing an appeal with the potential of money saved by the same family given that such a legal action would prevent or postpone the eviction (although the prevention of the eviction is unlikely).

A note should be made about the cost-benefit analysis. The analysis is based on parameters which are not natural or permanent, but have been defined by the Israeli authorities. The Israeli authorities can change their response to legal appeals by Palestinians, and the current effectiveness of the legal effort would change accordingly. As the Israeli court system is part of the mechanism through which displacement is executed, and because it draws some of its funding through the legal costs paid by the Palestinian households who make the appeals, the cost-benefit analysis should not be seen as an attempt to ignore this reality, or as a reflection of the opinion that legal costs are justified.

The analysis arrived at the result that in present values, every NIS 1 spent in legal aid achieved an average NIS 2.4 in prevented damage caused by displacement,<sup>35</sup> mostly because the demolition is postponed and the family may make use of its house for the duration of the legal process, a net reduction of damage worth NIS 1.4. The net reduction was only NIS 1.06 if the present values were deflated based on an interest rate of 2.5%. In December 2013, the “Prime Rate” of the Israeli banking system was 2.5%.<sup>36</sup> This indicates that expenditure on legal aid has paid-off with an average savings of more than twice the cost of the legal appeal against eviction.

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<sup>35</sup> The value 2.4 is the present value calculated for avoided losses due to demolition. It only calculates real-estate costs (rent or purchase), and the amount saved by a household which can remain in their home – rather than renting a new one – for the period of time by which legal appeal has managed to postpone the eviction or demolition. The longer delay which was achieved by the legal appeals process, the greater the savings achieved for the household. The calculation does not take into account other forms of damage inflicted (discussed in sections 6.2-6.6 and 6.8).

<sup>36</sup> The Prime Interest Rate indicates the base interest rate on which commercial banks take deposits and grant loans. It is used here as a measurement of the potential interest which could have been achieved with a capital investment, in order to estimate the capitalized value of a stream of income. See Bank of Israel’s website: <http://www.boi.org.il/he/bankingsupervision/data/pages/ribhahdh.aspx>, accessed October 2014. Legal aid requires an expenditure of money over a period of time, as the household attempts to postpone or prevent the displacement. The household also faces other expenditures related to displacement during this time, and may face additional ones if the court case ends in failure. The interest is applied to allow for the assumption that all costs and benefits would be hypothetically known at the moment in which the decision to appeal against the displacement is taken.

According to the data obtained from interviews and the survey data, the average of the cost of a lawyer per household in Area C equated to NIS 22,086, spent over a period of 4.5 years on average. In East Jerusalem this figure was NIS 33,040 spent over an average period of 5.9 years.

The court fees and the fines were counted together, because the courts often add them together when they rule against the household. The court fees are to pay for the court's expenses, and the fines are punishment for building a house without a permit. In the West Bank court fees and fines were an average of NIS 25,635 per household, and in East Jerusalem they were NIS 97,415 per household. The difference is because a different legal system applies in each area. Area C is under the jurisdiction of Israeli military courts which apply military law, while in East Jerusalem the Israeli law is applied.

Finally, the cost of the demolition itself is often imposed on the family which is being displaced. The family has the option of destroying its own house (which costs money as well), or have the Israeli authorities demolish the house, and apply the cost of the demolition, which is usually much higher, as a fine upon the family. Charging the displaced family with the demolition fees happens rarely in Area C, and therefore the average cost was NIS 4,166 in that area. In East Jerusalem, this policy is applied more frequently, and households paid on average NIS 20,067.

The total legal costs are therefore NIS 51,887 in Area C and NIS 150,522 in East Jerusalem.

### **6.5 Loss of Furniture and Personal Possessions which are Damaged or Destroyed in the Process of Displacement**

It should be emphasized that the process of displacement is often handled by the Israeli authorities in an arbitrary manner, which has the effect of preventing families from preparing themselves for the displacement and possibly resisting it. Households may live under threat of imminent house demolition for extended periods of time, and wake one morning to find bulldozers approaching their home. As long as legal interventions, including injunctions, are ongoing, the home is protected from demolition. However, when legal proceedings come to an end, the injunction is lifted and the house is exposed to demolition at any time. Often families receive little or no advance warning from authorities, nor from their legal representatives who are generally not informed by the Israeli authorities that the demolition is set to take place. When the demolition occurs, the family is given a very short time to leave the house before it is destroyed, and many belongings remain behind. Sometimes, the Israeli police officers, or soldiers who conduct the demolition, cause additional damage to property. Whilst Israel contends that the household is put on notice of a pending demolition when the case is dismissed, households are sometimes given no, or inadequate, notice and in any event, they remain in the family home until the last minute in the absence of an alternative.

In Area C, respondents reported that they spent an average of NIS 7,192 on replacing furniture which was lost. In addition, they lost NIS 12,150 worth of livestock, animal medicine and animal feed, and NIS 15,000 worth of agricultural materials, equipment and crops. In East Jerusalem, the average cost of buying new furniture was NIS 16,735; loss of livestock, animal medicine and animal feed was NIS 9,000; and loss of agricultural materials, equipment and crops was NIS 18,500.

### **6.6 Loss of Productivity due to Worsened Living Conditions**

It is important to bear in mind that the methodology of calculating the damage of displacement takes as an assumption that households make use of the resources available to them in order to improve their quality of living and in order to invest in their future. Both Area C and East Jerusalem are poverty-stricken areas,

and households therefore do not have large savings in reserve which they can draw upon.<sup>37</sup> Households who lose their residency will therefore almost invariably suffer from a drop in their quality of life. Density per room is expected to increase, as well as distance to places of work, study and social interaction, and comfort of living will decrease.

It is difficult to estimate how these various factors affect the economic situation of the household. Household members who will be forced to spend more time in commuting to work and schools will have less time to work and study. A lack of space where one can read and write in quiet and in privacy is expected to affect the educational achievement of children. A steep reduction in house value indicates a drop in the standard of living as well. By comparing the average house value estimated in Area C and in East Jerusalem with the reconstruction costs paid by households after being displaced, one can calculate that households in Area C move to residencies whose value is NIS 215,072 lower than before, and that East Jerusalem households move to residencies whose value is NIS 687,002 lower than before.

The immediate effect of loss of productivity has been registered by the respondents to the survey in terms of reduced income. Respondents reported that their monthly income has declined as a result of the displacement due to them being forced to change places of employment, or to reduce their working time. The monthly income for displaced Palestinians decreased by an average of NIS 370 in Area C, and by NIS 491 in East Jerusalem. By discounting the lost future monthly income into present rates, based on the Prime Rate of 2.5% (see the cost-effectiveness analysis in part 6.4, above), the loss of NIS 370 or 491 per month is equivalent to a one-time loss of NIS 177,600 (in Area C) or NIS 235,680 (in East Jerusalem), respectively.<sup>38</sup>

### **6.7 Loss of Real-Estate Property (house and/or land owned by the household)**

The value of the house which is lost to the household, usually through demolition, is the central and most valuable asset which the household loses. The value of the property is difficult to calculate, because large-scale displacements reduces the faith which people have in the value of their homes, and distorts the market price as the risk of displacement deters potential buyers. In the Methodology section above (section 3), the average value of a house was NIS 1,079,502 in East Jerusalem, and NIS 276,595 in Area C.

It should be noted that other than their house, many households also own agricultural land nearby. The issue of land ownership in the West Bank is highly complex, and various legal and semi-legal mechanisms are used by the Israeli authorities to confiscate Palestinian land in the West Bank.<sup>39</sup> The study here focuses on the actual displacement of people, and not on the confiscation of property in their possession which does not always lead to displacement. However, it is important to notice that it is possible that the confiscation of agricultural land will cause a household which depends on this land to be displaced, and it is also possible that a displaced household will lose the ability to access and continue to work the land which it owns.

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<sup>37</sup> UNCTAD, 2013; World Bank, 2013.

<sup>38</sup> The discounting of cash flows is a calculation used in finance which is based on the assumption that when the interest rate is known, a steady flow of income extending into an infinite future is equal in value to a lump sum in present value. The discounted value of income in the far future is converted into increasingly smaller amounts of present value, thereby emphasizing the expected income in the near future. In the current case, the discounting measures lost income rather than gained income. It is equivalent to asking the question: "how much money must be given to a person, so that if the money is invested, the income gained from interest on the amount would cover the loss of income as a result of displacement over time?"

<sup>39</sup> Gordon, 2008, pp. 119-127.

## **6.8 Loss of Time due to the Displacement Itself and the Time Needed for Readjustment**

The process of displacement can take months and even years. The family learns of the impending displacement by a police or military order placed on its building, and often begins a long legal struggle to cancel or postpone the demolition. During this time, family members sometimes feel the need to spend as much time as possible in the house in order to be ready for the demolition, and to avoid a situation of returning home from work or school to find a demolished house and all of their belongings destroyed. It is during this long period of time in which family members spend long hours in courtrooms, and in preparing for the eventual displacement. Following the actual displacement, the family would need time for readjustment before work and schooling can resume normally. The economic loss to the household as a result of the time wasted due to the displacement cannot be disregarded, and can have long-reaching consequences for the standard of living of the household. However, measuring the amount of time which was lost, and the potential productivity during that time, is methodologically very difficult and would require a real-time follow-up on the household over a period of many months. This would not only be resource-consuming but also an invasion of the household's privacy during an emotionally difficult time period.

It should be added that respondents to the survey estimated that the cost of changing living standards was NIS 3,400 in Area C, and NIS 3,125 in East Jerusalem. These costs have been obtained through estimates of the households impacted by displacement, and reflect expenditures which vary wildly between households. These numbers reflect only the immediate-term costs of coping with lower living standards and cannot be understood as a proper estimation for the long-term costs of reduction in living standards. Because this amount was mentioned by the respondents in the context of adapting to their new living conditions, the amount is calculated as part of the "cost of readjustment."

During the survey respondents were also asked whether there were additional costs which do not fall into the categories mentioned above. In Area C, these costs amounted to NIS 6,600, and in East Jerusalem they amounted to NIS 50,300. These amounts represent lost opportunities due to the displacement, and can therefore be associated with the loss of productive time, although they are a gross underestimation of the actual loss of potential income. Like the costs for adjustments to a new standard of living, these are estimates of the households impacted by displacement, and reflect a wide variety of expenditures.

## **7. Compensation for Damage**

A study into the damage inflicted by displacement necessarily focuses on Israel's policy and practices of displacement, yet its purpose is not merely to draw attention to the impact on victims of displacement. As noted, this report seeks to present a calculation which is conducted through statistical methods in order to reach a numerical estimate of the damage. Such a numerical estimate could serve as a basis for obtaining compensation for the damage inflicted. It should be clarified that the claim for compensation following displacement is not a substitute for the right of evicted Palestinians to return to their lands and homes, and should not be used as a tool which legitimizes the displacement in retrospect.

Whilst it is outside the scope of this report to conduct a full legal analysis of Israeli policies leading to displacement, the state of Israel, as the Occupying Power, bears responsibility according to International Humanitarian Law (IHL) for the protection of the occupied population. Article 53 of the Fourth Geneva Convention prohibits the destruction of property of an occupied population except where such destruction is rendered absolutely necessary by military operations. Since the displacements are executed within the

framework of Israel's settlement activity in the occupied land, this may constitute a further violation of the Fourth Geneva Convention.<sup>40</sup>

It seems unlikely that the Israeli authorities will agree to pay compensation in the near future, considering that they view their actions as in accordance with domestic and military law. Palestinians who are being displaced from their houses are accused of committing criminal acts through unlawful building given that their ownership of the property is sometimes questioned and no building permits are issued by Israel.

However, the very claim for compensation may have an immediate effect on the Israeli displacement policy. As the demand for compensation, backed with studies such as this one, is made public, it may affect the way that the costs and benefits of displacement are assessed by Israel. For example, credit rating agencies may take into account that the future compensations which Israel will have to pay to victims of displacement is a financial obligation which the Israeli authorities refuse to acknowledge, and which could at a future date impact the capability of the Israeli government to meet its other financial obligations. Such a realization could impact Israel's credit rating.

More importantly, by being aware that claims for compensation are made by Palestinians and that these claims may succeed at some point in the future, Israeli authorities would be encouraged to internalize the economic impact of the displacement policy, and might choose to scale down displacements due to the concern that the policy would create future financial obligations which the Israeli taxpayers would have to meet.

Calculation of damage: The calculation presented here, based on a survey conducted in 2013, reached the conclusion that the average household impacted by displacement suffered economic damage worth NIS 680,648. This amount is in 2013 prices, and applies only to two areas: Area C and East Jerusalem. However, even such a focused example demonstrates the potential for very large sums of compensation which could be demanded. Compensation to households which were displaced prior to 2013 would have to be adjusted for prices and for an appropriate interest rate.

Due to the gap in wealth and in standard of living between Area C and East Jerusalem, every item on the list, with the exception of the costs of changing living standards, was larger in East Jerusalem than in Area C. The total average damage to a household as a result of displacement was over three times larger in East Jerusalem than in Area C, mainly because the values of apartments and buildings in urban East Jerusalem are much higher than in the rural Area C. The average damage to households has to be adjusted based on the fact that 90% of the West Bank demolitions occur in Area C, and only 10% in East Jerusalem. Therefore, the adjusted average is much closer to the Area C figures than to the East Jerusalem figures.

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<sup>40</sup> HSRC, 2009, pp. 29-2.

**Table 2: Summary of the Damage from Displacement**

Item	Area C (NIS)	East Jerusalem (NIS)	Adjusted Average (NIS)
Readjustment costs	24,037	50,300	26,663
Costs for moving furniture	1,918	5,400	2,266
Lawyer fees	22,086	33,040	23,181
Court fees and fines	25,635	97,415	32,813
Demolition costs	4,166	20,067	5,756
Replacing furniture	7,192	16,735	8,146
Livestock, feed and medicine	12,150	9,000	11,835
Agricultural equipment, materials and crops	15,000	18,500	15,350
Capitalized loss of income	177,600	235,680	183,408
House Value	276,595	1,079,502	356,886
Cost of changing living standards	3,400	3,125	3,373
Miscellaneous	6,600	50,300	10,970
<b>Total:</b>	<b>576,379</b>	<b>1,619,064</b>	<b>680,648</b>

The table above can be re-formatted according to the nine items detailed in part 5, above:

**Table 3: Summary of the Damage of Displacement According to Nine Categories**

Item	Area C	EJ	Average
Cost of new residence	0	0	0
Cost of readjustment	25,955	55,700	28,930
Indirect damage as a result of disconnection from social fabric following the displacement	Unknown	Unknown	Unknown
Indirect damage as a result of psychological trauma from the loss of a home	Unknown	Unknown	Unknown
Legal fees and fines levied by the Israeli courts	51,887	150,522	61,751
Loss of furniture and personal possessions which are damaged or destroyed in the process of displacement	34,342	44,235	35,331
Loss of productivity due to worsened living conditions	177,600	235,680	183,408
Loss of real-estate property (house and/or land owned by the household)	276,595	1,079,502	356,886
Loss of time due to the displacement itself and the time needed for readjustment	10,000	53,425	14,343
<b>Total</b>	<b>576,379</b>	<b>1,619,064</b>	<b>680,648</b>

The adjusted damage calculated here for a household displaced in 2013 from either Area C or East Jerusalem amounts to **NIS 680,648** (2013 prices), or **Euro 147,196**, or **US\$ 185,362**. This amount must be understood as under-estimation, because of the inability of the survey to fully assess the intangible damage

inflicted on households (through the psychosocial impact) and the long-term reduction in the productivity and standard of living of the households. Further, notice that the figures during the survey period reflect a ratio of 90% demolition rate in Area C and 10% demolition rate in East Jerusalem. This ratio might change in the future. For instance, a higher demolition rate in East Jerusalem would shift the average adjusted damage closer to the East Jerusalem values, and result in a higher figure of the average adjusted damage.

## **8. Conclusion**

This report has presented an initial attempt to measure the economic dimensions of displacement. While further research is required, it is submitted that the financial damage suffered by a displaced family is **NIS 680,648** (2013 prices). This substantial amount, of which the main components were quantified in the report, when multiplied by the thousands of households which are displaced by the Israeli authorities in Area C and East Jerusalem, demonstrates that displacement is a policy of far-reaching economic consequences for the Palestinian population. It contributes to the creation and preservation of poverty over generations; to loss of employment; it discourages investment and along with other policies of the Israeli authorities, impedes the development of the Palestinian economy.

As tens of thousands of households have been displaced from their homes during the 47 years of occupation, compensation could be demanded for many billions of NIS. The high sum of money involved may discourage the Israeli authorities from pursuing their displacement policy, and once fully or partially paid, could become a crucial element in rebuilding the Palestinian economy after decades of military occupation. Finally, it should be emphasized that claims for compensation following displacement are not substitutes for the right of evicted Palestinians to return to their lands and homes, and should not be used as a tool which legitimizes the displacement in retrospect, or prejudices the rights of Palestinians under international law.

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