UNITED NATIONS NATIONS UNIES

OFFICE OF THE UNITED NATIONS SPECIAL COORDINATOR FOR THE MIDDLE EAST PEACE PROCESS

Report to the Ad Hoc Liaison Committee

Brussels, 30 April 2019

This report of the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO) builds on the United Nations' previous reports to the Ad Hoc Liaison Committee (AHLC), which provided an assessment of the efforts of the Palestinian Government toward state-building and an update on the situation on the ground.

The report draws on a variety of sources, including inputs from United Nations agencies, funds and programmes, as well as published reports that are detailed in the endnotes. Before the report is released it is shared with the parties.

The reporting period is 1 September 2018 to 31 March 2019, unless otherwise noted. Many references fall outside this period to illustrate relevant trends.

The United Nations Special Coordinator for the Middle East Peace Process provides a monthly briefing to the United Nations Security Council on the situation in the Middle East. These briefings provide greater detail on the UN's positions related to the changing political situation.

Previous UNSCO reports to the AHLC and Security Council Briefs can be found at: https://unsco.unmissions.org/resources

List of Acronyms iii
Executive Summary 1
I. Introduction 3
II. Context 3
II.1. Political Update 3
II.2. Humanitarian Assistance and Protection 5
II.3. Human Rights 7
II.4. Fiscal Update 9
III. Gaza 10
III.1. Access and Movement Update 10
III.2. Economic Situation 10
III.3. United Nations Strategy and Enhanced Capacity 12
III.4. Looking Ahead 15
IV. West Bank 17
IV.1. Measures to support the Economy 17
V. Conclusion 18
Annex 1: Update on Urgent Humanitarian and Economic Interventions for Gaza 20
Annex 2: Measures in Support of the Government and the Economy 22
Endnotes 23

List of Acronyms

AHLC	Ad Hoc Liaison Committee
CERF	Central Emergency Response Fund
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GEDCO	Gaza Electricity Distribution Company
GPP	Gaza Power Plant
GRM	Gaza Reconstruction Mechanism
HRP	Humanitarian Response Plan
IDF	Israel Defense Forces
INGO	International Non-Governmental Organization
ISF	Israeli Security Forces
MONE	Ministry of National Economy
NM	Nautical mile
NIS	New Israeli Shekel
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OHCHR	Office of the High Commissioner for Human Rights
oPt	Occupied Palestinian territory
PA	Palestinian Authority
PLC	Palestinian Legislative Council
PMU	Project Management Unit
PWA	Palestinian Water Authority
TIPH	Temporary International Presence in Hebron
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office of Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East

UNSCO	Office of the United Nations Special Coordinator for the Middle East Peace Process
US	United States
VAT	Value Added Taxes
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organization

Executive Summary

The period since the last AHLC meeting in September 2018 witnessed the steady, and in some cases dramatic, deterioration of the political, humanitarian, human rights and economic situations in the occupied Palestinian territory (oPt).

The protection needs of Palestinians in the West Bank, including East Jerusalem increased. The Government of Israel supported and expanded settlement activity in violation of SCR 2334 (2016). Demolitions of property, violence between Palestinians and the ISF, as well as violence perpetrated by Israeli settlers against Palestinian civilians present major and ongoing concerns. The Government of Israel decided in January not to renew the mandate of the Temporary International Presence in Hebron (TIPH), which provided a critical protective presence to the vulnerable Palestinian population in Hebron's H2 area. Tensions also increased at al-Haram al-Sharif/Temple Mount in March, yet again highlighting the need for continued dialogue and for all sides to respect the status quo regarding the holy sites.

Weekly demonstrations at the Gaza fence continued. Violent incidents aimed at Israel took place within and outside of the context of these demonstrations. This included the firing of incendiary balloons and rockets toward Israel, including towards Tel Aviv and its environs, as well as provocations along the fence, such as breaches and the planting of improvised explosive devices. The Israeli Security Forces (ISF) employed sniper fire, air strikes and artillery bombardment inside Gaza, prompting concerns over the degree of its use of force. The result was a high number of deaths (70 including 19 children) and injuries (6,912) on the Palestinian side and one death and eight injuries on the Israeli side.

Despite the violence, tension between Israel and Hamas in Gaza was largely contained. This was due to a concerted effort led by Egypt, and supported by the United Nations, to de-escalate tensions, restore calm and create conditions for the UN and partners to provide accelerated humanitarian and economic relief to the Palestinian population in Gaza. Indeed, headway was made during the period on the implementation of the package of urgent humanitarian and economic interventions called for by the AHLC Chair in September 2018, in particular with regard to increased electricity supply and temporary job creation.

In parallel, the UN enhanced its project management capacity on the ground as well as finalized, with the Palestinian Authority (PA) and Israel, a review of the Gaza Reconstruction Mechanism (GRM). The outcome has been encouraging with a more transparent, predictable and effective facilitation and monitoring of imported material alongside increased capacity by the UN to enable and fast track urgent interventions. As an indication, the average decision time for approval of both large-scale projects and "dual-use" items through the GRM has been cut in half thus far in 2019.

Despite mobilization to improve the situation in Gaza, Israel's closures and the fact that Gaza is not under the control of the legitimate Palestinian Authority, continues to hamper international efforts to support the Palestinian people in the Strip. The combination of Israel's crippling closures and a general lack of governance inside Gaza have all but ensured the contraction of the economy as well as inadequate provision of electricity, water and health

services. Against the backdrop of measures undertaken by the PA regarding Gaza, the Hamas authorities have consolidated control on the ground. Critical actions to support service delivery from the Palestinian side, including supplying health facilities with dedicated electricity lines and transparent delivery of medical supplies, have not yet materialized. The PA's financial crisis has also resulted in austerity measures that have seen further cuts to the salaries of civil servants. In a particularly worrying development in March, the Hamas authorities perpetrated a brutal crackdown against protestors demanding better living conditions.

The situation in Gaza, however, only constitutes a part of the enormous challenges facing the newly formed Palestinian Government. In February, Israel began implementing a law which requires the withholding from clearance revenues owed to the PA the equivalent of sums paid to Palestinians and the families of Palestinians convicted by Israel of involvement in "terrorist activities" or other security-related offenses. In response, the PA decided not to accept any clearance revenue less than the full amount due to it. This created an unprecedented fiscal challenge and the PA put in place emergency measures to cope with the loss of 65 per cent of revenues, equal to some 15 per cent of GDP. The crisis comes in the face of an overall decrease in direct and indirect assistance to the Palestinians, including the end of all support from one of the largest single donors, the United States (US).

Taken together, it is difficult to see how the Government of Palestine will be able to overcome the multiple crises absent enhanced dialogue with Israel as well as progress on internal reconciliation. In parallel, members of the AHLC will need to consolidate and coordinate efforts on the political and economic fronts in support.

While the report looks at the situations in the West Bank and Gaza separately, it is critical that any support for the Palestinian Government be underpinned by efforts to end the occupation and realize a two-state solution based on UN resolutions and bilateral agreements. These efforts must reinforce that there can be no Palestinian state only in Gaza and no Palestinian state without Gaza.

I. Introduction

This report covers the political, humanitarian, human rights, fiscal and socio-economic situation in the oPt between 1 September 2018 and 31 March 2019.

II. Context

II.1. Political Update

The ongoing Israeli occupation and absence of a political process to resolve the Israeli-Palestinian conflict continued to characterize the situation during the reporting period. Heightened tensions and an escalation of hostilities related to the Gaza Strip continued, alongside violence, ongoing illegal settlement activities and demolitions in the occupied West Bank, including East Jerusalem. The period also witnessed unprecedented financial and political challenges to the sustainability of the Palestinian National Authority and a quarter of a century of state-building efforts.

In the occupied West Bank, settlement activities continued unabated. In Area C of the West Bank, plans for some 2,700 units were advanced and some additional 200 units reached the final stage of approval, compared to 2,800 and 900 units, respectively, during the previous period **(**March-August 2018). Plans for nearly 2,000 units were advanced in East Jerusalem settlements, compared with 200 in the previous period. Efforts to retroactively legalize structures in settlements, deemed illegal as per Israeli law continued.[1] At the same time, no Palestinian community driven master plans in Area C were approved during the reporting period. The last approved plans were in February 2017 targeting two communities in Qalqiliya and Jenin, noting that to date 102 plans have been submitted to the Israeli Civil Administration. Demolitions and seizures of Palestinian-owned structures also continued in Area C and in East Jerusalem (Section II.2.C), on the grounds of a lack of Israeli-issued building permits, which are almost impossible for Palestinians to obtain.

On 28 January, the Government of Israel announced that it would not extend the mandate of the TIPH in Hebron. TIPH provided observation and protective presence for some 7,000 Palestinian residents who live in the H2 zone of the city, which, as per the Hebron Protocol of 1997, is under Israel's direct military control. On 1 February, the Foreign Ministers of TIPH's five contributing countries (Italy, Norway, Sweden, Switzerland, and Turkey) issued a joint statement regretting Israel's unilateral decision and stating that it constitutes a "departure" from the Oslo II Accord and undermines one of the few established mechanisms for conflict resolution between Israelis and Palestinians.

In Gaza, the weekly protests organized under the title "Great March of Return" since 30 March 2018, continued at several locations near the perimeter fence. While the majority of demonstrators remained peaceful, there have been a continuing number of violent incidents. The ISF deployed crowd dispersal measures and live sniper fire, raising serious concern about the degree of force used (Section II.3.A).

The escalation of hostilities between Israel and Hamas increased on 11 November following the discovery of an undercover Israel Defense Forces (IDF) unit in Gaza. In the 24 hours that followed, some 450 rockets and mortars were fired towards Israel by Hamas and other militant groups in Gaza – more than in the entire period since the 2014 conflict. The IDF responded by striking 160 targets that it identified as militant sites. On 25 March, a rocket fired from Gaza damaged a building in central Israel injuring seven persons. In response, Israel carried out 46 airstrikes between 25-28 March and closed the Kerem Shalom and Erez crossings for four days.

Intensive UN and Egyptian efforts to mitigate the situation in Gaza continued during the reporting period aimed at avoiding war between Hamas and Israel by focusing on three objectives: de-escalating tensions, promoting humanitarian and economic assistance (Section III.3.A), and supporting efforts to advance Palestinian unity, including the return of Gaza under the full control of a single, legitimate Palestinian government. Egypt played a central role in these efforts, and Qatar made crucial financial contributions, which enabled significantly increased electricity supply in Gaza and cash-for-work programmes essential for keeping Gaza's economy afloat. Separately, at the invitation of the Russian Federation, representatives of 12 Palestinian factions, including Fatah and Hamas, participated in the third intra-Palestinian meeting in Moscow in February. However, no progress was achieved in advancing intra-Palestinian reconciliation.

Following the decision of the Palestinian Constitutional Court on 12 December to dissolve the Palestinian Legislative Council (PLC), President Abbas called for legislative elections to be held within six months, however no moves have been undertaken to this end.

On 29 January, the Palestinian Government submitted its resignation and President Abbas named Mohamed Shtayyeh in mid-April as the new Prime Minister-designate. In his letter of designation, the President outlined that the new government should focus on (i) expediting the reunification of the Gaza Strip and the West Bank; (ii) working towards holding legislative elections throughout the oPt; (iii) continuing to financially support the families of prisoners and martyrs; (iv) strengthening the steadfastness of the Palestinian people in confronting the Israeli settlement policies; (v) defending Jerusalem and the holy Muslim and Christian sites therein; and (vi) building a strong, national economy.

On 9 April, Israel held general elections, with Prime Minister Netanyahu appearing set to form the next government.

The situation in al-Haram al-Sharif/Temple Mount continues to be relatively tense, following the reinstating of prayers inside the Bab al-Rahma (Mercy Gate) building on 14 February, which had been closed by the Israeli authorities on security grounds since 2003 by court order. On 17 March, the Jerusalem Magistrate Court reinstated the closure of the building for 60 days. The Waqf (Islamic Endowment), and the Palestinian and Jordanian Ministries of Foreign Affairs maintain that Israel does not have jurisdiction over the site and warned against any changes to the status quo. Israel, however, considers the establishment of a mosque in the Mercy Gate area a violation of the status quo. Discussions between Israel and Jordan on finding a solution continue.

II.2. Humanitarian Assistance and Protection

Violence, demolitions and displacement, as well as concerns about the abilities of Gaza's health sector to cope with injuries associated with the protests at the fence, characterized the main humanitarian and protection concerns during the period. Yet, despite a streamlined Humanitarian Response Plan (HRP), focusing on only the most urgent needs, a significant funding shortfall persists.

II.2.A. Violence

During the reporting period, a total of 129 Palestinians, including 30 children, were killed in the oPt and some 8,120 injured by ISF and Israeli settlers. The majority of deaths (70 including 19 children) and injuries (6,912) were in Gaza in the context of demonstrations and clashes at the fence (Section II.1). Another 26 Palestinians including six children were killed, and some 295 injured in incidents unrelated to the demonstrations. The rise in casualties is overwhelming Gaza's health sector, already experiencing shortages in medicines and disposables.

During the reporting period in the West Bank, 31 Palestinians, including five children, were killed and some 913 were injured by the ISF. A total of eight Israelis (three soldiers and five civilians) were killed by Palestinian perpetrators in reported stabbings and terrorist attacks, while some 53 Israelis (23 soldiers and 31 civilians) were injured. During the reporting period, there were 209 recorded incidents of settler violence, resulting in the death of two Palestinians and 88injuries. In the same period, there were around 145 incidents perpetrated by Palestinians, which led to the killing of five Israeli civilians residing in settlements, and injury of 31 others.

The reporting period saw the firing of at least 479 rockets, 225 mortars and around 250 incendiary devices launched from Gaza towards Israel by Hamas and other Palestinian militants. The indiscriminate launching of rockets and mortars towards civilian populations is prohibited by international humanitarian law.

II.2.B. Demolitions and Displacement

During the reporting period, Israeli authorities demolished or seized at least 280 Palestinian-owned structures for lack of building permits. Of the demolished structures, 36 were provided by donors as humanitarian assistance. Four structures in Areas A and B were also demolished on punitive grounds. In total, 376 people were displaced and hundreds otherwise affected. Among the structures demolished were several water connection points in Area C (affecting some 1,800 people), where severe water shortages exist. The restrictive and discriminatory planning regime applied by Israel in Area C makes it virtually impossible for Palestinians to obtain building permits, impeding the development of adequate housing, infrastructure and livelihoods.

During the reporting period, in three separate incidents, four Palestinian households were forcibly evicted after settlers took over their homes in East Jerusalem. These incidents affected 21 people, including 10 children.

II.2.C. Humanitarian Update

Humanitarian needs increased during the reporting period. Some 2.5 million people across Gaza and the West Bank continued to be in need of some form of humanitarian assistance. The needs are higher in Gaza (1.6 million people) than in the West Bank (0.9 million people).[2]

Some 2 million Palestinians in the oPt need protection, and 1.7 million people (33 per cent of all households) are moderately or severely food insecure. Only 10.5 per cent of Palestinians in Gaza have access to safe drinking water through the public water network.

The gap between humanitarian needs and capacity for response widened during the reporting period in Gaza's health sector due to cases of conflict-related trauma associated with the protests at the fence. Thousands of Palestinians, including hundreds of children, have been injured with live ammunition, with many suffering life-altering injuries such as amputation of limbs as a result.

The large number of patients with gunshot wounds is overwhelming an already fragile health system. These are complex and serious injuries, which require specialized treatment over a period of time. Treatment that is not currently available or for which there is limited capacity in the Gaza Strip.

In addition to death and physical injuries, mental health and psychosocial consequences of the violence are expected to be high as an estimated 210,000 people or over 1 in 10 people suffer from severe or moderate mental health disorders.

The large number of injuries overwhelmed the provision of regular healthcare in Gaza. Elective surgeries were suspended, hospital beds were relocated to serve surgical patients, health staff and ambulances were diverted. Basic primary healthcare services providing medication to critical non-communicable disease patients were put under excessive strain.[3] The mental health and psychosocial consequences of violence are high as well.

The gap between needs and support also widened in the food security sector. Close to a third of Palestinian households in the oPt are food insecure. Between 2014 and 2018, food insecurity increased by 9.4 percentage points to 68.5 per cent in Gaza, while it decreased by 3.4 percentage points in the West Bank. Meanwhile, the World Food Programme (WFP) has had to cut off assistance to 27,000 beneficiaries in the West Bank and reduce the cash-transfer entitlements of another 166,000 beneficiaries (115,000 in Gaza and 51,000 in the West Bank) by 20 per cent due to funding shortfalls. Currently WFP only has funding to continue its food voucher programme to 260,000 beneficiaries in West Bank and Gaza until the end of July, and in-kind benefits to some 70,000 beneficiaries until the end of 2019. An assessment in the nine most vulnerable localities in Gaza show deteriorated nutritional status of the population. Because women generally have less access to and control over resources, they are more vulnerable to food insecurity and malnutrition.

II.2.D. Humanitarian response

The HRP for 2019 seeks US$350 million to fund assistance and protection for the 1.4 million vulnerable Palestinians identified as most in need of such assistance. This is a significant reduction compared to the 2018 HRP (when 1.9 million Palestinians were targeted for assistance at a total cost of US$539.7 million). The reduction reflects an attempt to prioritize the most urgent needs in the face of record low funding levels: only 46 per cent of the 2018 HRP was secured, significantly lower than the global average of nearly 60 per cent. The 2019 HRP is currently 13 per cent funded, while humanitarian needs in Gaza have increased since its launch.

Having had to reduce support to food insecure households across the oPt (Section II.2.D), WFP has launched a funding appeal of US$57 million for 2019. As of 31 March, US$32 million had been mobilized. In the health sector in Gaza, out of estimated 676,522 people in need of essential healthcare in 2019, humanitarian actors seek to target 555,615 people for a total of US$28.2 million. Out of this total, US$9.7 million has been received, leaving a funding gap of US$18.5 million.

II.3. Human Rights

The reporting period witnessed instances of human rights violations by all duty bearers – Israel, the PA and Hamas in Gaza.

II.3.A. Right to Life and Security of Person

While most of the participants in the demonstrations at the Gaza fence were peaceful, there were numerous incidents of throwing stones, home-made sound grenades and Molotov cocktails, and the persistent launching of incendiary and explosive devices as well as attempts to breach the fence. In most cases Hamas failed to stop protesters from reaching the fence and continued to call on people to participate in protests and organize transport to designated protest sites. Despite calls for restraint in the use of force, ISF continued to deploy live ammunition and tear-gas canisters towards the demonstrators, in addition to rubber-coated bullets. A total of 70 Palestinians, including 19 children, were killed in the context of events along the fence, and approximately 6,900 injured, including 65 journalists and several medical personnel.

On 28 February, the independent international commission of inquiry on the protests in the oPt, mandated by the Human Rights Council (the Commission), released its report on the demonstrations held in Gaza between 30 March and 31 December 2018, the response of the ISF to the demonstrations and the impact on civilians in Gaza and Israel.

Hamas controlled civilian and military courts in Gaza handed down thirteen death sentences including to a woman in absentia, in violation of Palestinian law. The fate of two Israeli civilians who crossed into the Strip over four years ago continues to be unknown. Hamas has also not released any information on the status of two Israeli soldiers, who have been missing

in Gaza since the 2014 hostilities. Intentionally withholding information about missing persons violates international humanitarian law.

In the West Bank on 16 September, a Palestinian teenager stabbed and killed an Israeli-American outside of a shopping mall in the occupied West Bank. On 7 October, an Israeli man and woman were killed in the Barkan Industrial Area in the West Bank by a Palestinian man who was killed by ISF after a two-month manhunt. On 12 October, a Palestinian woman was killed, near a checkpoint south of Nablus by a stone thrown at the car she was travelling in. A 16-year-old Israeli was indicted in January for her killing. On 9 December, in a drive-by shooting near the settlement of Ofra, seven Israelis were injured, including four children and a pregnant woman whose baby was delivered prematurely and subsequently passed away. On 7 February, an Israeli teenager was murdered in a park outside Jerusalem by a Palestinian, who was later arrested and indicted by the Israeli authorities.

II.3.B. Arrests, detention and rule of law

The practice of prolonged periods of administrative detention and arrests of Palestinians by Israeli authorities continued. As of 31 January, over 5,000 Palestinians, including 209 children were held in Israeli prisons. This includes over 3,000 prisoners serving sentences and 491 persons, including two children,[4] in administrative detention. In addition, every month hundreds of Palestinians, including dozens of children from the West Bank, including East Jerusalem, were reportedly arrested in the context of clashes, search and arrest operations and house raids[5]. The Office of the High Commission for Human Rights (OHCHR) received numerous reports of ill-treatment and excessive use of force during these arrest operations. Off the Gaza coast, OHCHR recorded 33 cases of ISF detaining Palestinian fishermen in the permitted fishing zone, often with alleged ill-treatment or use of force during arrest. The UN documented at least 29 pupils arrested by ISF while commuting to or from school in the West Bank during the reporting period.

The PA and the Hamas authorities in Gaza also continued practices that amount to arbitrary detention. There were spikes of politically motivated arrests both in the West Bank and in Gaza. PA security forces arrested dozens of Hamas affiliates, and Hamas security forces arrested dozens of Fatah affiliates and critics of Hamas, including journalists and children. OHCHR monitored numerous cases where there was no legal basis for detention, or detainees were deprived of their fair trial guarantees. OHCHR also received several credible allegations of ill-treatment, in some case of such severity that they might amount to torture.

Journalists and human rights defenders also suffered from harassment, threats and in some cases of outright physical violence or use of force against them by Israel, PA and the Hamas authority in Gaza. On 14-16 March, Gaza security forces violently dispersed demonstrations against the rising cost of living in Gaza, including severely beating and arresting numerous protesters, including children, staff of the Independent Commission for Human Rights and local human rights defenders. Local human rights monitors reported that over a thousand people, including children, were arrested. The crackdown was condemned by all Palestinian factions. There were instances also of Hamas impeding operations by Non-Governmental

Organizations at project sites and in other cases requesting sensitive information on beneficiaries.

II.4. Fiscal Update

Following the passage of the law titled "Freezing of Funds Paid by the Palestinian Authority with Affinity to Terrorism out of Funds Transferred to it by the State of Israel", Israel informed the PA that among other deductions from the clearance revenues for the month of February, it would withhold an additional NIS41 million (US$11.5 million). It further informed that Israel will continue to withhold this amount monthly for the remainder of the calendar year, with the total deduction for the year approximating $140 million. In response, the PA stated it will continue making payments to Palestinian prisoners held in Israel, and their families, and that it will not accept from Israel anything but the full amount of clearance revenue due to it.

This development comes at a time when the PA is facing multiple fiscal challenges, including a significant decline in external budget support. In 2018, the US ended some US$230 million in development funding to the Palestinian people and another US$360 million in funding to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). In January 2019, the PA returned to the US NIS448 million (US$123 million) in programme funding to avoid liability under the US Anti-Terrorism Clarification Act, 2018.

Meanwhile, the PA's revenue collections have also faced a setback. In 2016, the World Bank estimated that Gaza accounted for about 12 per cent of the PA's revenues.[6] Since 17 February, the PA is no longer present at the Kerem Shalom crossing, and Hamas has adopted measures to restrict imports through the Kerem Shalom crossing and increase imports through the Salah-Ad-Din Gate near the Rafah crossing with Egypt. Both measures will further reduce the PA's revenues.

In face of the crisis, the PA suspended its annual budget for 2019 and announced a set of austerity measures, which include placing a ceiling on salaries of public employees at NIS10,000 per month, and instituting a 50 per cent reduction in salaries of public employees earning over NIS2,000 per month. Other measures include an across the board 20 per cent reduction in operational expenses, a freeze on recruitments, salary increments and bonuses. In addition, the PA plans to borrow over US$400 million from domestic banks.

Clearance revenues are the PA's tax revenues and constitute over 65 per cent of the PA's total revenues. The impact of the austerity measures on the purchasing power of Palestinians in the West Bank and Gaza, demand in the Palestinian economy and subsequently on the PA's tax collection will be far reaching. If the PA's borrowing plans are implemented, the credit-deposit ratio of the banking sector will increase by some 350 basis points assuming deposits remain unchanged. Reduced salaries paid to public servants could affect the deposit base of commercial banks and increase the likelihood of loan defaults by government employees. Further, the reduced salary payments will significantly affect women since the civil public sector is one of the primary employers of women in both West Bank and Gaza.

While certain measures to revise tax policy (Annex 2) and increase Palestinian control over the energy and water sectors are welcome, they can only provide temporary relief if the clearance revenue crisis is not resolved.

III. Gaza

Urgent interventions called for by the Chair at the AHLC meeting in September 2018 resulted in certain improvements in the lives of people. Meanwhile, the operational environment in Gaza remained unchanged with additional movement and access restrictions by Israel and Hamas compounding the impact of the Israeli closures and impeding humanitarian and development work.

III.1. Access and Movement Update

During the reporting period, humanitarian and development personnel continued to face difficulties entering and exiting Gaza. Israel increased the denials of exit permits for national and international humanitarian personnel working in Gaza by restrictions on and closures of the Erez crossing.

Half of the UN's Gaza-based national personnel, excluding UNRWA staff, were banned by Israeli authorities from exiting Gaza to Israel and the West Bank, including East Jerusalem. Between September 2018 and 17 March 2019, 142 UN personnel were denied exit permits and banned from reapplying for one year, compared with 41 during 2017. Similar restrictions apply to personnel of international non-governmental organizations (INGOs), which have 87 Gaza-based national staff members with one-year bans on applying for permits to access the rest of the oPt.

The Hamas authorities prevented INGO international personnel as well as all Gaza ID holders from leaving Gaza between 12 November and 18 November, due to restrictions imposed following the discovery of an undercover Israeli military unit inside Gaza.

During the reporting period, the Rafah crossing was open for a total of 119 days in both directions. Additionally, the crossing was open for 14 days during January only for those entering Gaza, and for two days during March only for the exit of pilgrims to Egypt. A total of 24,034 persons entered Gaza and 35,189 persons exited Gaza through Rafah.

On several occasions Israel announced that it had intercepted attempts by Hamas to use civilian movement of people and goods for smuggling weapons, explosives and other contraband into Gaza and for supporting militant activities in the West Bank.

III.2. Economic Situation

Gaza's fragile economy, further weakened by months of reduced payment of civil servants' salaries by the PA, experienced both negative and positive stimuli during the reporting period. Reports from the ground indicated continuation of reduced and delayed salary payments to PA civil servants. Cash transfer payments by the Ministry of Social Development to some of the

poorest households have not been disbursed in Gaza or the West Bank in the last quarter of 2018, nor in the first quarter of 2019. These transfers are a last line of support for the most vulnerable households and withholding payments can push households deeper into poverty. The Socio-Economic and Food Security Survey of 2018 showed that 69 per cent of households in Gaza received some kind of assistance in 2018.

The resulting impact on purchasing power within the economy was partially offset by the cash payments to some 94,000 vulnerable families in Gaza, and the payment of salaries by Hamas to nearly 25,500 civil servants. Increased supply of electricity in the Gaza Strip, funded by Qatar (Section III.3.A) and expanded programming by UN agencies, notably the United Nations Development Programme (UNDP) and UNRWA in employment generation and the Food and Agriculture Organization (FAO) in resilient livelihoods, provided some relief.

As a result of these developments, and seasonal factors, at the end of the year Gaza presented a picture that is significantly worse compared with 2016 and 2017, but slightly improved compared to earlier parts of the year. GDP growth rate declined from 8.3 per cent in 2016, to (-)12.5 per cent in 2017 and (-)6.9 per cent in 2018. Unemployment rates have risen steadily from 41 per cent in the first quarter of 2016, to 50 per cent at the end of 2018. Some 68.5 per cent of households in Gaza are food insecure, compared with 59 per cent in 2014. Some 47 per cent of households were severely food insecure.

The situation on the ground was adversely affected by several political developments and unilateral measures taken by both the PA and Hamas that have affected economic activity in Gaza.

On 7 January, PA officials withdrew from the Rafah crossing. During 13-17 February, Hamas imposed a range of so called “security measures” on personnel of the PA Crossing Liaison Authority working on the Gaza side of the Kerem Shalom crossing. On 17 February, Hamas obstructed PA personnel from entering the Kerem Shalom compound and installed their own personnel.

There were also temporary Israeli closures of the crossings that restricted the entry and exit of goods, including humanitarian goods. In October, Israeli authorities closed the Kerem Shalom crossing for four days after rockets were fired from Gaza, while the transfer of fuel and gas was stopped for a week, and fuel for the Gaza Power Plant (GPP) was not allowed to enter for 12 days. The Kerem Shalom crossing was closed again for four days in March, following more rocket fire from Gaza that hit a residential house north of Tel Aviv, injuring seven people. Despite these temporary measures, during the reporting period, truckloads exiting Gaza increased to an average of 278 truckloads per month, compared to 167 truckloads per month during the previous period. This was also higher than the exits of 236 truckloads per month during the same period a year ago. Similarly, the number of trucks entering Gaza from Israel increased to an average of 10,179 truckloads per month, compared with 8,300 truckloads during March-August 2018.

Meanwhile, imports from Egypt increased from an average of 537 truckloads per month in March-August 2018 to 891 truckloads per month during the reporting period. These imports partly offset the shortages inside Gaza, caused by the Israeli restrictions, however all goods are taxed by Hamas at the crossing and these imports tend to be significantly more expensive than imports coming through the Kerem Shalom crossing.

On 17 December, Hamas announced a range of restrictions and fees on the import of certain goods through the Kerem Shalom crossing for the stated purpose of promoting local production. This elicited protests from the producers' unions and chambers of commerce since many of the banned imports did not have viable alternatives produced locally. The list of restricted items included a wide range of processed foods, consumer goods, clothes, and items of household maintenance.

A key impact on Gaza's population comes from higher taxes. Imports into Gaza from Israel accrue value added taxes (VAT), which are collected by Israel. Imports are often taxed a second time by Hamas after their entry into Gaza. As a result, Gaza's impoverished population is paying significantly higher taxes per dollar of GDP than the West Bank's population.[7]

In a positive step, in January 2019 Israel partially expanded the fishing limits for Gaza's fishermen to 12 nautical miles (NM) in the middle area off the Gaza coast, leaving the limit off the northern and southern areas at 6NM. The fishing zone was sealed off completely for the last six days of March and was opened up to 15NM off the coast in certain areas, and limited to 6-12NM off the coast in other areas. This is the furthest extension of the fishing zone since the signing of the Oslo Accords in 1993.

III.3. UN Strategy and Enhanced Capacity

In the face of deteriorating socio-economic conditions and collapsing essential services in Gaza, the AHLC Chair supported the UN's package of critical humanitarian and economic interventions in September 2018. The immediate purpose was to improve the situation on the ground, and to de-escalate tensions. Since then, the UN has taken a number of steps to facilitate implementation of these critical projects, including and most importantly the completion of the joint review of the GRM and the establishment of a Project Management Unit (PMU) in Gaza.

III.3.A. Improvements to the GRM and Enhanced Project Management

In December 2018, the joint review of the GRM was concluded. It was conducted over the course of several months, through a series of trilateral meetings between the Government of Israel, the PA and the UN, also taking into account views raised by users of the GRM, including donors, NGOs and the private sector. As a result, the parties agreed to a number of technical improvements that were implemented in January 2019.

The review sought to enhance the effectiveness, functionality, transparency and predictability of the GRM. Among other measures, applications and approvals of large-scale projects and items considered by Israel as having dual civilian and military use were simplified; and for the first time, the parties agreed to timelines for decisions through the GRM, agreeing that submissions must be approved or rejected within four weeks, with a 45-working day timeframe

for "dual-use" items other than rebar and cement[8]. Approval procedures for new contractors and businesses were simplified. A dispute mechanism was incorporated into the system and donors were offered an account to view the status of their projects online.

The early results of these improvements are promising. The average decision time for both large-scale projects and "dual-use" items through the GRM has been cut in half – from 39.3 days and 36.4 days, respectively, in 2018 to 21.3 days, and 18.4 days, respectively.

In addition, the United Nations established a PMU, led by the United Nations Office of Project Services (UNOPS), to support implementation of critical humanitarian and economic interventions in Gaza. The PMU works with relevant stakeholders to collect information about current and potential projects; identify opportunities for interventions achievable within short timeframes; address blockages and delays to facilitate the smooth implementation of urgent projects; assist project implementers with all issues related to the GRM; and provide progress reporting.

With the improved GRM and the creation of the PMU, the UN has significantly enhanced its capacity to support project implementation in Gaza. All partners involved in project-implementation in Gaza must recognize that until the legitimate Palestinian government is able to return to Gaza and the closures can be lifted, there will be a need for coordination and monitoring of imports and exports to and from Gaza. The PMU and GRM provide a cost-effective way of doing that, while working in full cooperation with both the PA and Israel. However, funding for the PMU, which is essential for the functioning of the GRM, remains precarious. At time of writing, the PMU has only received funding from one donor and has a shortfall of US$2 million for 2019. As a result, the PMU will run out of funding by the end of June. Members of the AHLC are strongly encouraged to provide financial support for the PMU.

III.3.B. Implementation of AHLC Package of Critical Humanitarian and Economic Interventions

The AHLC package of September 2018 included a number of projects to alleviate Gaza's energy crisis, provide emergency health care, support water and sanitation facilities and improve the economic situation. The projects were estimated to cost US$210 million over a period of six months. Since the AHLC meeting in September, a total of nearly US$112 million has been received from a variety of donors (Annex 1).[9]

In the electricity sector, a US$60 million grant by Qatar for purchase of fuel for the GPP led to a significant increase in electricity supply across Gaza, from an average of 4-5 hours per day to about 12-16 hours. The increased electricity supply has improved the provision of public services, reducing the need for expensive donor-funded fuel at hospitals, and increasing the desalination of water and treatment of wastewater. It also generated significant cost-saving for many families and private businesses due to reduced reliance on costly private generators.

In the health sector, the AHLC package highlighted the need for support to emergency healthcare and trauma management, particularly to address the large number of injuries

associated with the demonstrations at the fence. Since then, US$4.6 million has been received, particularly for trauma care and provision of medical supplies. These donations enabled the delivery of 15 types of essential drugs and some 9,500 emergency surgeries during October-December 2018. The World Health Organisation (WHO) and health partners recently completed a new assessment of critical needs for emergency health response in Gaza, outlining a package of essential services, which require US$20 million for the rest of 2019, primarily for trauma care, emergency services, medical supplies and rehabilitation.[10]

In the Water, Sanitation and Hygiene (WASH) sector, the AHLC package included six United Nations Children's Fund (UNICEF) projects, which are aligned with the Palestinian Water Authority's (PWA) strategy and prioritized in coordination with local water actors and cluster partners. These projects seek to improve access to water and sanitation for all of Gaza, mitigating the health and socio-economic impact on the residents, and ceasing the rapid deterioration of freshwater resources in the coastal aquifer. Once funded, all the projects can be implemented within 6-12 months. Agreements are currently being finalized with Kuwait for some US$3 million for two of these projects to equip critical water and wastewater facilities with solar energy systems, and to construct a storm water drainage system in Khan Younis.

In light of Gaza's high unemployment rate and lack of purchasing power, efforts to improve the economic situation focused on two primary measures – cash for work and a revolving credit facility for businesses. The AHLC package aimed at creating 53,000 jobs at a cost of US$16 million per month to reduce unemployment in Gaza by ten percentage points. Almost US$45 million have been received so far, including US$17 million allocated by the World Bank and a US$20 million grant from Qatar to UNDP and UNRWA, as well as other allocations by the Islamic Development Bank and Switzerland through UNDP and UNRWA. Together, the US$45 million will create some 20,000 short-term jobs in Gaza, in both the private and public sectors, for skilled and unskilled workers. The majority of the projects prioritize youth and provide equal opportunities for women.

Complementing these short-term measures, FAO has undertaken some US$17.5 million in programming for more sustainable livelihoods. Interventions include resilience building, private investments for sustainable job creation and development of public infrastructure.

Significant levels of donor support for the AHLC package has contributed to alleviating some of the worst hardships in Gaza. However, these are stop-gap measures that provide a window of opportunity to implement more sustainable solutions, including implementation of previously agreed plans for the energy and water sectors and easing of the Israeli closures to bolster the private sector, boost trade and reinvigorate the economy.

This window of opportunity is closing. The stop-gap measures have not been complemented by donor funding or political support for the longer-term projects.

III.4. Looking Ahead

Addressing the deteriorating humanitarian and economic situation in Gaza requires not only donor funding and project implementation, but bold policy decision by all sides.

The continued Israeli closures on Gaza, coupled with internal Palestinian division and more than a decade of Hamas rule of Gaza, is compounded by a clear lack of governance responsibility in the Gaza Strip. In the absence of an accountability mechanism for duty-bearers and misaligned incentives of those with power, donor-funded initiatives cannot affect sustainable change.

Projects are underway to increase the fuel-storage capacity at the GPP. However, generating electricity from diesel fuel at the GPP is expensive and unsustainable in the longer term and requires approximately US$10 million per month. It is, therefore, critical to move towards more medium-term solutions, including rehabilitation of the grid in Gaza and the resumption of electricity supply from Egypt as a priority. In the longer term, increasing electricity imports from Israel and facilitating domestic electricity generation based on natural gas will significantly improve the sustainability of the sector as whole. The European Union (EU), World Bank, UNSCO and others are working closely with the PA to facilitate progress with these initiatives.

The Qatari grant for fuel for the GPP is providing a window of opportunity to initiate a reform of the electricity distribution system in Gaza, to enhance efficiency and improve collection of payments for utilities. With the grant coming to an end in June, collections for electricity usage that should be sent to the Palestinian Government in Ramallah or be used to purchase additional fuel, have reportedly declined. The PA has requested the EU to fund and facilitate the first steps towards reforms in Gaza through an audit of the Gaza electricity distribution company, GEDCO. This initial step will help build confidence in the sector and pave the way for broader measures and investments. The long-term sustainability of Gaza's energy situation depends on the success of these steps.

Moreover, in the coming weeks, assessments of the needs and feasibility of increasing provision of solar energy for Gaza's critical health, water and wastewater facilities will be finalized. This will complement other initiatives at various stages of progress including proposed Irish and French supported projects to deliver solar energy to the North Gaza Emergency Sewage Treatment (NGEST). Donors are urged to support these efforts, further reducing the need for expensive and environmentally harmful diesel generators.

In the health sector, the provision of medical supplies lacks transparency and accountability. In order to strengthen the management and increase transparency of supply chains in the health sectors, the PMU is rolling out a monitoring system for medical supplies and emergency fuel for hospitals in Gaza, in close coordination with relevant UN agencies and government counterparts. Improved monitoring is expected to reduce inefficiencies and enhance the credibility of these programmes with donors.

In the water sector, a number of desalination and wastewater projects are underway. While these initiatives are welcomed measures to address the critical water situation in Gaza, their long-term sustainability hinges on a cost efficient and steady supply of electricity, improvements to collections of water bills as well as improvements to the governance of the sector. In particular, clarifying the roles of stakeholders and their responsibilities regarding ownership, management and administration of water resources and services is needed. Unless these issues are addressed, Gaza's water sector will continue facing challenges with providing clean water for its population.

Gaza's productive sectors cannot be sustained without increased trade and a more predictable operating environment. Without a thriving private sector, Gaza's economy will continue to be heavily dependent on external support.

In UNSCO's last report to the AHLC, it was noted that the discussions were ongoing with the parties to the GRM, as part of the review, on a number of more substantive changes, aimed at adapting the mechanism to the current challenges in Gaza, including maintenance and operations of public services and support for import and export by the productive sectors in Gaza. Discussions are still ongoing on further measures to support the private sector and reinvigorate the economy.

Such efforts are to a large extent contingent on an easing, and eventual lifting, of the restrictive Israeli closure regime on Gaza, in line with Security Council resolution 1860 (2009). This includes allowing more predictable imports of material needed in Gaza's key productive sectors, further facilitating export of products made in Gaza, and, critically, providing permits to businessmen to meet with their clients, customers and business partners outside of Gaza in order to promote their products and establish professional business ties. To that end, consultations are ongoing with the PA and the private sector in Gaza to assess the scope for establishing a Monitored Industrial Zone in Gaza, where such imports and exports would be facilitated in a more predictable and efficient manner. At the same time, the PA has put forward a proposal to improve the physical structures on the Palestinian side of Kerem Shalom crossing with a view to reducing economic losses by better protecting products and produce being processed through the crossing. This is an important measure that could have almost immediate impact. At the same time we must continue to work towards an easing of the closures, ensuring that critical equipment and material is allowed to enter Gaza and that the import of goods becomes more predictable and with fewer delays.

IV. West Bank

The West Bank, home to 60 per cent of Palestine's population and seat of the legitimate Palestinian Government in Ramallah, has been the focus of much of the international community's institutional support over the past two decades. Some of the PA's biggest successes – in institution-building, policy formulation, infrastructure, and economic development – have been in the West Bank, despite a lack of official authorities in Area C and East Jerusalem. These achievements are at a serious risk of reversal.

The West Bank economy which grew at an average of 6.5 per cent for a decade until 2017, and was the main source of the PA's tax revenues, is weakening. It grew at 3.1 per cent in 2018 and is projected to slow down even further in 2019.

However, the major constraints to the West Bank's development are political. Relatively modest initiatives by Israel can keep the West Bank economy from deteriorating beyond recovery in the face of the PA's austerity measures (Section II.4). Alongside, measures to preserve Palestinian presence and identity in areas under Israel's full military control remain critical.

IV.1. Measures to support the Economy

The West Bank accounts for around 78 per cent of the Palestinian economy and close to 90 per cent of the PA's tax revenues. Without access to clearance revenues, the PA's dependence on tax revenues from the West Bank private sector will increase, even as its austerity measures reduce purchasing power and thus demand within the economy. Several measures can be taken by Israel and the PA to facilitate the operations of the private sector (Annex 2).

The Office of the Quartet (OQ) and other partners are facilitating discussions on several short-term measures that can reduce trade transactions costs for Palestinian private sector, enhancing their viability. These include (i) expanding the door-to-door shipping initiative; (ii) increasing hours of operation at the Allenby crossing/King Hussein Bridge; (iii) enhanced information sharing on rules/regulations in Arabic and English for Palestinian businesses at commercial crossings; (iv) enabling containerization of Palestinian imports and exports through the Allenby Crossing/King Hussein Bridge, and use of the scanner for security checks; and (v) expanding the known-trader list and allowing pre-cleared traders expedited security procedures at commercial crossings and ports. Moreover, it is essential that all partners sustain their engagement and support to the PA to continue the development of the West Bank industrial zones in Jericho, Bethlehem and Jenin, and at the Gaza Industrial Estate. Further, Israel is urged to facilitate these efforts by permitting necessary expansion of these facilities and thereby extending Palestinian trade opportunities with Jordan and other Arab countries and beyond.

Greater integration of West Bank and Gaza markets can generate benefits for the Palestinian economy as a whole. Israel and the PA should agree on a plan to facilitate greater entry of key inputs and exit of Gaza's products to the West Bank. This will increase incomes in Gaza and affordability in the West Bank.[11] This could also enable producers in the West Bank to access Gaza's labour force for fragmented production processes.

If the PA's fiscal crisis continues, the private sector in the West Bank might face a significant liquidity crisis (Section II.4). A revolving credit facility offering small loans to cover operating expenses could enhance access of private businesses to credit and ease their liquidity constraints.

West Bank producers face constraints in importing industrial inputs of goods that are identified as "dual-use" items by Israel. Several "dual-use" items are available for purchase in Israeli markets and in settlements. However, Palestinian producers accessing these goods from Israeli markets pay significantly higher prices than they would if they could import them from other destinations. Rationalizing procedures by Israel for the purchase of these goods by Palestinian producers would reduce production costs for the latter in several sectors.

In addition to broad-based measures, targeted interventions are needed in specific areas like Bethlehem and Hebron. These two governorates along with the northern valleys have the highest unemployment rates (over 20 per cent) in the West Bank. FAO is implementing 20 projects in the three governorates for US$1.6 million, to support over 2,900 individuals and families access markets, inputs, technology and shared infrastructure to sustain their livelihoods. All 20 projects can be scaled up by US$1.8 million to assist more beneficiaries and extend support to other governorates. UNDP has US$1.2 million in programming in Hebron to assist the private sector and generate employment. UNDP is also implementing a comprehensive package of support in East Jerusalem to support access to education, improvement of livelihoods, preservation of cultural heritage, access to housing, and economic opportunities for youth.

Meanwhile, the United Nations continues to respond to the most urgent humanitarian and development needs and safeguarding the rights of Palestinians in Hebron H2. The UN has proposed a package of initiatives that includes expanding protection and legal support, increasing access to health, education, water and sanitation, improving livelihoods, food security and overall economic opportunities, and upgrading infrastructure and preservation of cultural heritage. It is critical that the international community increase its support to Hebron and engage with the United Nations to further respond to the humanitarian and development needs.

V. Conclusion

A further escalation of violence between Israel and Hamas in Gaza has been avoided for now, although the damage in terms of Palestinians killed and injured, and the strain on Gaza's health networks and collapsing economy, require continued and urgent attention. In parallel, no progress was made on the critical processes needed to alter the reality on the ground. These include internal Palestinian reconciliation and a meaningful political process aimed at ending the Israeli occupation and establishing a viable, independent Palestinian State in line with relevant UN resolutions, prior agreements and international law.

Indeed, the clearance revenue withholding by Israel and the subsequent Palestinian decision not to accept any such revenue unless the full amount it is owed is transferred, signaled a marked deterioration. Unless resolved soon, the impact of this crisis on the economy will take years to undo. The inability of the PA to deliver basic services and social protection in the meantime would hurt the most vulnerable Palestinians the most. As the United Nations Secretary-General noted, both sides need to engage in a constructive manner with the goal of

restoring the revenue transfers in full, in line with the Paris Protocol on Economic Relations. They must do their utmost to prevent a further deterioration and to recommit, with the support of the international community, to the basic tenets enshrined in long-standing bilateral agreements.

The United Nations stands ready to work with the Members of the AHLC and others, to support any effort aimed at finding a solution to the Palestinian fiscal crisis as a matter of urgency. In addition, the United Nations calls on the parties to immediately take the necessary transformative and proactive steps outlined in the 2016 Quartet report, to alter the deteriorating situation on the ground.

Members of the AHLC will need to redouble efforts in order to prevent further violent escalations in Gaza, deal appropriately with the increased tensions in al Haram al Sharif/Temple Mount and support an urgent resolution of the Palestinian Government's fiscal crisis. While the paper provides some suggestions for the way forward, the most important actions must be taken by the parties themselves. Israel's legitimate security concerns notwithstanding, the closure regime and restrictions on movement and access must be urgently revisited. The Palestinian Government must also reconsider key decisions with regard to Gaza and its overall financial situation. The Members of the AHLC are advised to accompany these processes with the maximum support possible.

Annex 1: Update on Urgent Humanitarian and Economic Interventions for Gaza

1. ALLEVIATION OF THE ENERGY CRISIS

SUPPORT FOR GAZA POWER PLANT

- Gaza's energy demand remains approximately 500MW. For most of 2018, Gaza received 120-140MW/4 hours electricity/day. Thanks to a US$60 million grant for fuel for the GPP, the electricity supply since October reached 200MW/12-15 hours electricity/day.
- The easiest way to sustain this level of electricity supply in the short term is to continue the purchase of fuel for the GPP. To minimize risk of disruptions to GPP operations due to fuel shortage, its storage tank would need to be replaced and critical maintenance performed.

IMPROVEMENTS TO THE MANAGEMENT OF ELECTRICTY SUPPLY

- A first step towards addressing chronic distribution and financial management issues is an audit of the electricity distribution company, GEDCO. This should be connected to a larger reform process for Gaza's energy sector in Gaza.

SUPPORT FOR NEW SOLAR PROJECTS:

- Solar energy is a potential source of additional, energy supply in Gaza. Projects to install solar panels can proceed in a short timeframe and at relatively low cost. Equipping critical facilities in the Health and WASH sectors with solar panels could improve the reliability of these services and reduce the need for expensive fuel-generated energy. Equipping farms with solar energy can enhance agricultural production and incomes, and free up grid electricity for other uses.

US$10 million/month to maintain the increased GPP operations
US$15 million to equip Gaza's health facilities with solar power
US$11 million to equip priority water and wastewater facilities with solar power
US $10 million for solar power to support agricultural operations

2. EMERGENCY HEALTH CARE

RESPONSE TO THE COLLAPSING HEALTH CARE SYSTEM

- Conflict-related trauma remains a major burden on the health sector in Gaza. Since 30 March 2018, nearly 29,000 Palestinians have been injured in the context of demonstrations near the fence, more than half of whom required hospitalization.
- 2,800 people are estimated to need complex surgeries.
- In February 2019, 237 essential medicines out of the total 516 essential medicines list (46 per cent) and 195 essential disposables out of the total 853 essential disposables list (22 per cent) were at less than one month's supply.

US$20 million to meet lifesaving trauma management and emergency healthcare needs and to scale up emergency preparedness until 31 December 2019[12].

3. WATER AND SANITATION

INCREASED ACCESS TO CLEAN WATER

- Due to improvements to electricity supply, water availability increased from 60 liters per capita per day up to 78 liters per capita per day. While this is a significant improvement, it is still below the recommended levels by WHO.
- Water and wastewater services also improved but to ensure the full utilization of existing and planned WASH facilities, additional electricity is required.
- 95 per cent of Gaza's water is not potable. 148 million liters of wastewater is released into the sea every day. Due to improvements to the operability of wastewater treatment plants, the proportion of untreated water that is released into the sea has decreased.
- Improvements to the sewage pumping system has significantly decreased the risk of public health concerns stemming from the system overflowing. However, and without continued access to electricity, sewage system floods are likely to occur.

US$9.5 million to fund critical WASH projects for aquifer recharge, increasing waste water treatment and energy to existing desalination and waste water management facilities and to maintain and replace water networks in Rafah and Khan Younis.

4. IMPROVED ACCESS AND ECONOMIC CONDITIONS

- Poverty rates in Gaza were 38.8 per cent in 2011 and 53 per cent in 2017. Unemployment stood at 50.5 per cent at the end of 2018 and 80 per cent of Gaza's population depends on humanitarian assistance.
- The private sector is constrained for liquidity due to shortage of purchasing power and reduced access to bank credit. A revolving credit facility providing small loans to businesses to cover operational costs during the production cycle could boost economic activity.
- Through upgrading the Palestinian side of Kerem Shalom crossing, economic losses due to damages to products could be significantly reduced.
- Policy measures by the PA and Israel aimed at enhancing trade with the West Bank and Israel; maintain extended fishing zone; stimulate industrial sectors by increasing import of "dual-use" material and improved movement and access for businesses.

US$16 million/month for cash for work to create some 53,000 skilled and unskilled jobs which would lower the unemployment rate by 10 percentage points.
US$2 million for small revolving loans to 50 businesses to cover operational costs over the duration of their production cycles.
US$2.5 million to upgrade the Palestinian side of Kerem Shalom crossing.
US$14 million to enhance livelihoods of up to 10,000 vulnerable farmers.

Annex 2: Measures in Support of the Palestinian Government and the Economy

The fiscal crisis and its potential impact on the Palestinian economy calls for urgent measures to mitigate and manage the impact on the most vulnerable Palestinians. While the crisis can only be resolved with the resumption of clearance revenue transfers, a set of measures – many of them under discussion prior to the crisis – are proposed to support the Palestinian economy and to enhance the Government's collection of local taxes.

A. Public Sector

1. **Improved Tax Regime:** A comprehensive analysis of the tax policy by a technical assistance mission resulting in a concrete roadmap towards a more effective and equitable tax regime.

2. **Fuel taxes**: Waiver of fuel taxes by Israel at the point of purchase will save the PA some US$2 million in handling fees.

3. **Increased Support to the Government's Cash Transfer Programme** will keep some of the most vulnerable Palestinians out of poverty and increase purchasing power in the economy.

B. Private Sector

1. **Improve Access to Credit for Palestinian Businesses: For example,** US$ 10 million in a revolving credit facility could help cover operating costs and ease liquidity constraints for 250 commercially viable businesses in West Bank and Gaza for multiple production cycles.

2. **Work Permits for Palestinian IT professionals in Israel:** Facilitating the usage of the 1000-person quota for Palestinian IT workers to work in Israel, together with appropriate taxation.

3. **Greater integration of West Bank and Gaza markets:** Israel and the PA should agree on a plan to facilitate trade and enable the expanded exit of Gaza's products to the West Bank in line with ongoing efforts by Netherlands and other partners.

4. **Increased economic opportunities for Hebron and Bethlehem:** Expanded United Nations programming for income/ employment generation for the two governorates with the particularly high unemployment rates. FAO and UNDP can scale up existing projects in these governorates .

5. **Increased support to industrial zones:** Estates like the Bethlehem Multidisciplinary Industrial Park, and the Jericho Agro-Industrial Park have the potential to emerge as hubs of industrial activity in the West Bank. Strengthening links with other zones in the West Bank and the Gaza Industrial Estate, can enable the private sector in Palestine develop self-sustaining export-oriented businesses. Israel is urged to facilitate access to necessary land, water, and energy, and to enable movement and access of goods and people.

6. **Rationalized procedure for import of "dual use" items into the West Bank** will significantly lower the cost of inputs for legitimate Palestinian manufacturers.

7. **Reduced trade transactions costs for Palestinian private sector:** Five short term measures facilitated by the OQ and other partners will help reduce these costs.

a. Expand the door-to-door shipping initiative to northern parts of the West Bank and to commercial crossings other than Tarqumiya.

b. Increase hours of operation at the Allenby crossing/King Hussein bridge for commercial goods in line with growing demand.

c. Enhance information sharing in Arabic and English for rules/regulations, opening hours, fees and real time announcements for Palestinian businesses using commercial crossings.

d. Enable containerization of Palestinian imports and exports through the Allenby Crossing/King Hussein Bridge, and the use of the scanners for security check on containers.

e. Expand the known-trader list and allow pre-cleared traders simpler and expedited security procedures at commercial crossings and ports.

Endnotes

[1] Mostly by the application of a legal mechanism that recognizes houses in Israeli settlements built in "good faith" on land that was considered "state land" at the time of their construction but was later reclassified by the military authorities as potentially belonging to Palestinian owners.

[2] UN OCHA 2019, Humanitarian Needs Overview for Palestine.

[3] OCHA White Paper on Health Sector in Gaza, 2019 (updated)

[4] Israeli Prison Services data, available at https://www.btselem.org/statistics/detainees_and_prisoners

[5] Palestinian human rights organisations Addameer and Palestinian Prisoner's Club recorded over 6500 arrests, including of over 1000 children, during 2018.

[6] World Bank, 2016, Report to the Ad-Hoc Liaison Committee, page 18. Available at: http://documents.worldbank.org/curated/en/474311473682340785/pdf/108205-V2-WP-PUBLIC-SEPT-14-2PM-September-2016-AHLC-World-Bank-Report.pdf

[7] In 2018 the public revenue-GDP ratio for Palestine was 6.7% while that for Gaza is estimated to range between 12.8% and 19% taking into account VAT collected by Israel on imports of which a fraction is passed on to the PA, and estimated taxes and fees collected by Hamas.

[8] Subject to additional security assessment requirements, in which case the requesting party will receive a notification that their request is still under review and a decision will be taken as soon as possible.

[9] US$60 million for fuel, $4.6 million for health, $3 million for WASH and US$44.25 million for cash for work.

[10] https://reliefweb.int/sites/reliefweb.int/files/resources/final_health_cluster_-_gaza_ongoing_needs_96_hr_contingency_plan_11mar19.pdf

[11] In the first quarter of 2019, export of agricultural goods from Gaza exceeded USD 14 million – an 86% increase compared with the same period in 2018.

[12] https://reliefweb.int/sites/reliefweb.int/files/resources/final_health_cluster_-_gaza_ongoing_needs_96_hr_contingency_plan_11mar19.pdf