



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

### NOTE TO THE MINISTERIAL MEETING OF INTERNATIONAL PARTNERS OF PALESTINE

26 May 2024

Since 7 October 2023, Israel and the Occupied Palestinian Territory (OPT) have been devastated by the horrific terror attacks perpetrated by Hamas and other Palestinian militants in Israel, the ensuing Israeli military operation in Gaza, and relentless hostilities, causing widespread suffering on every scale imaginable.

More than 35,000 Palestinians and some 1,500 Israelis have reportedly been killed, and tens of thousands of others have been injured, the overwhelming majority Palestinians. Over 125 Israeli and foreign national hostages are still held in the Gaza in what can only be abominable conditions.

Despite widespread appeals and tireless mediation efforts, the release of all hostages from Gaza and a humanitarian ceasefire remains unrealized.

The humanitarian catastrophe in the Strip is ongoing, with the majority of Palestinians in Gaza – some two million people - uprooted from their homes, facing acute shortages of all basic necessities. Disease is spreading and famine continues to loom; women and girls are exposed to rising levels of sexual violence and domestic abuse. Humanitarian operations lack the required safe access, equipment and supplies to effectively respond to the massive scale of needs. Unprecedented lawlessness and violence have become a daily reality, including for humanitarian workers, with some 200 killed since the onset of hostilities.

The scale of destruction and loss in the Gaza Strip is immense. The economy has collapsed and the estimate of damages to physical assets and infrastructure in January 2024 alone has been costed at nearly US\$ 20 billion; almost 40 million metric tons of debris and rubble were calculated in February 2024. The eventual cost of recovery and reconstruction in Gaza is likely to be many multiples of these estimates.

At the same time, the occupied West Bank remains a pressure-cooker where conflict drivers that existed before October 2023 have only intensified. Violence and other negative trends continue at an alarming rate, including large-scale Israeli security operations, which are often met by lethal exchanges with armed Palestinians, settler violence, and militant activity and attacks by Palestinians against Israelis, alongside the Israeli Government's relentless pursuit of settlement expansion. Exacerbating these trends, strict access and movement restrictions on Palestinians have stifled economic activity and decimated revenues across the occupied West Bank.

Developments over the last seven months will affect the social and economic future for Palestinians across the OPT for years, if not decades. Addressing their consequences, including through early recovery and reconstruction, will require not only an enormous and well-coordinated international response, but courageous leadership by the parties to shift the negative trajectory on the ground.

The priority is and must remain an immediate humanitarian ceasefire and the unconditional release of all hostages. However, the work toward a better and more secure future for Israelis and Palestinians alike

must start now. This work must be rooted in key principles that address Gaza's political future as an integral part of a future Palestinian State and carried out alongside renewed commitments to achieve tangible and irreversible steps towards an end to the occupation and the realization of a two-State solution.

A strengthened and empowered Palestinian Authority (PA), capable of legitimately governing across the OPT, will be critical to these efforts. Therefore, the United Nations stands ready to support all efforts aimed at addressing the PA's dire fiscal crisis, implementing meaningful reforms and reversing measures that undermine the PA's viability and credibility.

**Urgently addressing the fiscal crisis facing the PA, which is now risking its full collapse.**

The chairs and rapporteurs to the Ad-Hoc Liaison Committee have long stated that the fiscal situation of the PA is dire. It is now approaching an existential crisis. Israeli deductions of clearance revenue collected on behalf of the PA reached more than 70% in February 2024, up from 22% in September 2023.

In addition to the collapsed economy in Gaza, since 7 October, economic activity in the West Bank, has declined by more than 22%. Most businesses report revenue declines of up to 70%. More than 300,000 Palestinians in the West Bank have lost their jobs since 7 October, while another 200,000 are paid partial or no wages.. Unemployment is projected to reach 46% by the end of 2024. Healthcare delivery faces critical challenges, including reduced staff salaries, medicine shortages, and increased costs, significantly affecting service accessibility and quality. Job losses, restrictions on Israeli commercial activity in the West Bank and clearance revenue deductions by Israel are resulting in daily economic losses of more than \$US 20 million.

Furthermore, despite the relative strength of the Palestinian financial sector, increased uncertainty over Correspondent Banking Relations poses a potentially serious risk to Palestinian banks and economy more broadly. Meanwhile, prospects for domestic revenue generation and growth have been stifled even further in the current context. These prospects were already grossly insufficient before 7 October due to, *inter alia*, restrictions on access and movement, limited ability for Palestinians to access productive resources in Area C and the way in which agreements within the Paris Protocol has been implemented.

Following the announced intent by Israel's Minister of Finance in April of a full suspension of Palestinian clearance revenue transfers until further notice, and subsequent failure to release the most recent monthly transfer, the PA estimates a budget deficit of more than US\$ 225 million per month. This suspension comes on top of Israeli deductions in the amount they say is paid by the Palestinians to Palestinian prisoners, their families, or the families of those killed or injured in the context of attacks against Israelis, as well as deductions for what Israel says the PA would have paid for salaries and services in the Gaza Strip. As such, the PA's ability to cover civil servant and security sector salaries is expected to fall short of 50 per cent.

The implications of this situation are self-evident. The PA is on the brink. Failure to secure both clearance revenue transfers and Correspondent Banking Relations would have dire consequences for the Palestinian economy and precipitate a further disintegration of the Palestinian service delivery and social protection system. The inability for the PA to generate revenue to meet the basic needs of its population, to pay its security forces and to protect its people, can only lead to one outcome: a cycle of desperation, social unrest, ISF operations, and violence.

## **Supporting the PA's reform agenda**

The appointment of a technocratic government and the presentation of an ambitious reform plan has brought renewed energy to the PA and provided a critical opportunity to advance key objectives.

Reforms are essential, and critical to enhancing the legitimacy of the PA, in improving its fiscal health and service delivery, and in preparing the PA to effectively govern and lead recovery and reconstruction efforts in the Gaza Strip.

Some of the proposed reforms, such as increasing civic space and strengthening the independence of civil society and media, have little to no cost and should be expedited. However, some other reforms cannot realistically and sustainably be implemented without concomitant increased financial support from donors, political buy-in from Palestinian leaders and a tangible change in policy on the part of Israel. Resolving the issue of the so-called “prisoner payments” would release hundreds of millions of dollars in withheld revenues.

For their part, UN Agencies, Funds and Programs, whose existing programs provide implementation support to most of the PA's identified reform priority areas and actions, stand ready to increase their support in the coming period.

## **Preparing and planning for the “Day After”**

The following are **key principles** for the “day after” in Gaza.

- There can be no long-term solution in Gaza that is not fundamentally political.
- There should be no long-term Israeli military presence in the Strip. At the same time, Israel's legitimate security concerns, particularly in the wake of the acts of terror committed on October 7th, must be addressed.
- Gaza is and must remain an integral part of a future Palestinian State – with no reductions to its territory and no mass displacement of its population.
- A single Palestinian Government that is recognized and supported by the Palestinian people and the international community must govern across the OPT, with Gaza and the West Bank unified politically, economically, administratively. If transitional arrangements are required, they must be designed to achieve a unified Palestinian Government within a precise and limited timeframe.

The swearing-in of a new, competent, technocratic Palestinian Government under Prime Minister Mohammad Mustafa, with eight ministers from Gaza - represents an important opportunity to support tangible steps in the right direction.

The international community should urgently provide support to, and work with, this new Government to strengthen its governance capacity and help it reassume its responsibilities in Gaza and, ultimately, effectively govern the whole of the Occupied Palestinian Territory.

The PA has a critical role to play in Gaza and the international community needs to work toward enabling its return – there is simply no credible alternative.

The political framework and structures that are established now will play a significant role in the success or failure of what follows. The international community has a duty to plan and act deliberately and

thoughtfully, knowing that today's decisions will not only shape the future governance of Gaza, but also determine the trajectory of the conflict more broadly.

### **Planning for recovery and reconstruction**

The scale of damage and destruction in Gaza is unfathomable. According to an interim damage assessment conducted by the World Bank, the UN and the EU, the first four months of conflict in Gaza generated damages to Gaza's physical assets and infrastructure amounting to some US\$ 18.5 billion, which is equivalent to 97% of the total GDP of the OPT in 2022. Meanwhile, as at the end of February 2024, Gaza was littered with 37.5 million metric tons of debris and rubble. The final cost of damage, economic losses and recovery needs are expected to be several multiples higher.

Gaza's post conflict recovery must remain guided by and anchored within the **core principles** outlined above. Consultations reveal that donors and implementing partners would be unlikely to participate in and finance recovery at scale if there is a prolonged Israeli occupation of Gaza, or in the absence of Palestinian governance in the Strip.

**The PA** must be an integral part of planning for and implementation of Gaza's recovery and reconstruction. The United Nations stands ready to support national and local reconstruction and recovery efforts, in consultation with the PA, civil society, and the private sector.

There can be **no projectization of Gaza**. The framework that is put in place for Gaza's recovery must enable a long-term sustainable political resolution of the conflict. Gaza's recovery must reconnect it to the West Bank.

**There is no returning to the *status quo ante*.** Gaza needs to be built back better. There can be no returning to the asphyxiating system of closures that has crippled its people and economy for years; nor can there be any return to Hamas rule nor militant buildup in the Strip. Gaza must never be allowed to again serve as a platform for acts of terror targeting Israelis.

Reconstruction and recovery in Gaza will require mobilization of the widest possible coalition of donors, but also concrete steps by the relevant parties to ensure that Gaza is not rebuilt only to be destroyed yet again.

The destruction of Gaza's social fabric must be accounted for. The most vulnerable – women, children, orphans, the wounded and disabled, the elderly – all of whom have suffered from this conflict – must be protected and their needs must be met.

Recovery must also be inclusive, representative of all segments of society and participatory.

Although the last eight months have had the most devastating impact on Gaza, **the West Bank has also suffered** serious socio-economic consequences related to the ongoing hostilities and deteriorating relations with Israel. Reconstruction and recovery needs extend and need to be addressed across the OPT.

**The UN system** is doing its part to plan and prepare for post-conflict recovery, leveraging its partnerships and the unique experience, expertise and resources of its agencies, funds and programmes.

In late 2022, the UN activated the global tri-partite agreement with the World Bank and the European Union to conduct a joint Damages and Needs Assessment and prepare the ground for conflict recovery, in close coordination with the PA.

The **Conflict Recovery Framework**, when ready, will guide the prioritization of medium to longer term recovery activities. It will provide essential insights and recommendations for recovery planning, resources mobilization and allocation, and establish an institutional framework for implementation of recovery.

After a cessation of hostilities, the UN system stands ready to support the people of Gaza to address **immediate recovery priorities**, such as: addressing contamination from Unexploded Explosive Ordnances (UXOs); clearing rubble and debris; providing rapid, scalable rehousing solutions for displaced persons; resuming essential services to the population; kick-starting food production; providing emergency employment opportunities and supporting regeneration of commercial activity, restoring the rule of law and quelling gender-based violence.

**However**, for effective recovery efforts to be implemented, **some minimum conditions** need to be in place on the ground.

1. Security, freedom of movement and the ability to access the population in Gaza.
2. A transitional political-security framework that promotes Palestinian ownership and management of recovery, with the Palestinian Authority at its center.
3. Minimum essential services, particularly water, electricity, sanitation and telecommunications, with a coherent governance framework.
4. At-scale and predictable entry of humanitarian, commercial, and reconstruction goods, materials, and equipment including, and especially, from the West Bank.
5. The ability for the UN and its partners to obtain visas, identify and deploy experts and equipment and other practical, operational issues.
6. Sufficient donor funding, preferably in consistent, multi-year, and flexible modalities.

## Conclusion

After the horrors of these past eight months, Palestinians and Israelis desperately need a political horizon, that will end the occupation and establish a two-state solution in line with international law, relevant United Nations resolutions and bilateral agreements. Without it, there is no sustainable path out of the current suffering and misery.

Failing to lay the foundations of a lasting resolution to the conflict would reverberate for generations. These foundations should not only be laid in Gaza, but also in the West Bank; and they must be set in place not just by donors and the international community, but by committed leaders on all sides of the conflict.

If we do not address conflict drivers, including violence and settlement expansion, in the West Bank, tensions and armed confrontations between Israeli settlers and security forces and Palestinians will spiral further, taking with them any viable prospects for a political solution.

If we do not resolutely address the fiscal crisis of the PA and help bolster its institutions and government, civil servants and security forces stop working, services to the population will collapse and poverty and social unrest will deepen, fueling a second humanitarian front in the West Bank. Any ability of the PA to effectively govern in Gaza and the West Bank will also be severely compromised.

If we do not restore safety, dignity and hope for the people of Gaza, despair and anger will deepen even further, last for generations to come, and mark an indelible stain on the world's conscience.

This is a moment for honesty, determination and brave decisions on all sides, and for unequivocal support from the international community in supporting difficult political, financial and programmatic choices.