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

Report to the
Ad Hoc Liaison Committee

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This report of the Office of the UN Special Coordinator for the Middle East Peace Process (UNSCO) builds on the UN's 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 UN agencies, funds and programmes, as well as published reports that are detailed in the endnotes. Before the report is released it is discussed with the parties.

The reporting period is 1 April 2017 to 31 August 2017, unless otherwise noted. Many references fall outside this period to illustrate relevant trends.

The UN Special Coordinator for the Middle East Peace Process provides a monthly briefing to the UN 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/ahlc-reports>

Contents

List of Acronyms	iii
Executive Summary	1
I. Introduction	4
II. Political Context.....	4
III. Human Rights Situation, Protection	7
IV. Gaza	11
V. Area C	17
VI. Conclusion	19
Endnotes.....	24

List of Acronyms

AHLC	Ad Hoc Liaison Committee
ARG	Arab Regional Grid
CBS	Central Bureau of Statistics
COGAT	Coordination of Government Activities in the Territories
ECD	Early childhood development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GEDCO	Gaza Electricity Distribution Company
GPP	Gaza Power Plant
GRM	Gaza Reconstruction Mechanism
ICA	Israeli Civil Administration
IDF	Israeli Defence Forces
IEC	Israel Electric Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPE	Initiative for the Palestinian Economy
Kg	Kilogram
Km	Kilometre
kV	Kilovolt
m ³ /d	Cubic metres per day
MCM/y	Million cubic metres per year
MW	Megawatt
MoEHE	Ministry of Education and Higher Education
MoH	Ministry of Health
MoNE	Ministry of National Economy

NGEST	Northern Gaza Emergency Sewage Treatment Plant
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
PCBS	Palestinian Central Bureau of Statistics
PLO	Palestine Liberation Organization
PMA	Palestine Monetary Authority
PNDP	Palestinian National Development Plan
PWA	Palestinian Water Authority
SRP	Strategic Response Plan
STLV	Short-term low-volume
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSCO	Office of the Special Coordinator for the Middle East Peace Process
US	United States
WFP	World Food Programme
WHO	World Health Organization

Executive Summary

Over the past five months, efforts to relaunch meaningful negotiations between Israel and Palestine did not come to fruition. Instead, the period has witnessed a marked deterioration in relations, punctuated by a temporary suspension of coordination between the sides. While violent incidents have continued at low levels during the reporting period, the drivers of conflict remain in place. The construction and expansion of illegal settlements, violence and the ever-deepening political split between the West Bank and Gaza, that has plunged the Strip into a humanitarian crisis, provide a challenging backdrop for these AHLC discussions.

While the relatively low level of violence is welcome, the overall picture is worrying. Persistent violations of human rights by all sides continue. The biggest indication of the volatility of the situation was on display during the second half of July in occupied East Jerusalem. Following the killing of two Israeli policemen by two Arab citizens of Israel at the entrance to the Holy Esplanade, and Israel's subsequent security measures some six Palestinians were killed, raising concerns about the use of force by Israel's security forces. Three Israelis were murdered in their home in a settlement in the occupied West Bank by a 19-year-old Palestinian. The violence served as a poignant reminder of the sensitivities surrounding Jerusalem, and its holy sites. The early condemnation of the killing of the Israeli policemen by President Abbas was welcome, but the overwhelming sense of mistrust between the parties proved to be too pervasive. Following the clashes, President Abbas decided to suspend contacts and coordination with the Israeli authorities in several key areas of mutual concern.

Over the course of the last seven months, the internal divide among Palestinian factions, and specifically between the Palestinian government and the Hamas *de facto* authorities in Gaza, has solidified with increasingly profound consequences on the population of Gaza. Measures taken by the PA since April are aimed at pressuring Hamas to abolish the controversial Administrative Committee that they established in March, seen by many as an attempt to undermine the Palestinian Government. While it remains crucial to restore unity and to return the legitimate Palestinian Authority to Gaza, the recent measures against Gaza are profoundly affecting the population and aggravating an already severe humanitarian crisis. President Abbas decided to reduce payments to the Israel Electricity Corporation for Gaza's electricity, which resulted in the dramatic decrease by 30 per cent of electricity provision. Other measures taken include cuts to salary benefits and allowances, and the early retirement of thousands of civil servants that will likely have a significant impact on Gaza. This comes at a time when the deterioration of Gaza's infrastructure, detailed in the UN's previous submission to the AHLC last May, has continued at an accelerated pace. UNRWA services and other UN assistance in the form of emergency fuel for critical infrastructure, as well as fuel purchased from Egypt, is all that stands in the way of a much deeper humanitarian emergency. While the last AHLC warned of the consequences of Gaza's de-development and urged urgent remedial action, in just five months our concerns have returned to the exclusively humanitarian. Attempts to negotiate an agreement between Hamas and the PA which would provide the PA full control

of the energy sector in Gaza, stabilize the supply of electricity and guarantee the transparency of revenue collection, did not bear fruit.

Meanwhile, and despite the impact of the internal political crisis on Gaza, nearly all schools, hospitals, water and energy facilities that were damaged or destroyed in 2014 have now been repaired. The reconstruction and repair of destroyed and damaged houses also continues to progress: out of the 17,800 houses which were either totally destroyed or so severely damaged as to be uninhabitable, more than 65% have now been completed and work is ongoing on another 6.5%. While the Gaza Reconstruction Mechanism (GRM) has played a key role in facilitating increased imports of construction materials, it has been less successful in facilitating the import of “dual use” materials beyond cement and re-bar, also critical for public works projects. As we reach three years since the end of the escalation of hostilities in Gaza, it is regrettable that a lack of funding is today the primary obstacle to completing the last remaining residential reconstruction projects, despite the existence of un-disbursed Cairo conference pledges (see World Bank AHLC report).

Over the past five months, the majority of West Bank land continued to remain off-limits to Palestinian development. Israel’s control over Area C largely prevents Palestinian access to some of the West Bank’s most fertile land and rich natural resources. The restrictive zoning and planning regime, continued settlement expansion, and designation of land for exclusive Israeli use, continues to constrain Palestinian development and further erodes the viability of Palestinian statehood. In addition, serious concerns persist around the heavily restricted access to water supplies, significant levels of food insecurity and limited access to essential services, including education and health care.

With less than 1% of Area C being covered by approved outline plans¹ that allow Palestinians to apply for building permits, many Palestinians remain left with little choice but to build without permits. Demolitions of such structures continued during the reporting period, resulting in displacement. In this context, the importance of approving community-driven outline plans is critical to advancing Palestinian spatial planning, use and ownership of land and natural resources. Also of note, some 7,500 persons belonging to 46 Bedouin communities continue to face the threat of relocation.

It is also critical that the international community continue and strengthen its support to Palestinian communities in Area C. The UN demonstrated its determination to do its part in this regard by continued humanitarian and development interventions, including in the areas of agriculture, support to small businesses, water, sanitation and hygiene, education, health, women’s empowerment and the rule of law.

Efforts to facilitate the implementation of agreements on energy and water in particular are critical to help change the reality on the ground and move the parties closer together. The full potential of these agreements, arrangements, and projects will be realized in a changed environment, one that we hope these efforts can help to usher in. The international community remains committed. Last June, the UN signed with the PA a new UNDAF, which will guide UN development interventions for the coming five years (2018-2022). The UNDAF is fully

aligned with the PA's National Policy Agenda (2017-2022) and firmly rooted in the vision of bringing about an independent and sovereign Palestine in the context of the two-state solution.

I. Introduction

This report provides an update on the overall context in which the Government of Palestine's institutional and economic efforts are being pursued. The first section of the report reviews the situation over the past five months (the reporting period is 1 April to 31 August 2017, unless otherwise noted) including on the political, humanitarian, human rights and protection as well as access situations.

The second section of the report provides a more detailed analysis on Gaza and Area C of the West Bank. Whereas Gaza presents the most immediate threat of escalation and a new round of hostilities, Area C encapsulates the challenges facing the State of Palestine, Israel, and the international community concerning the continued viability of the two-state solution. Improved Palestinian development in Area C also presents an opportunity to improve livelihoods and preserve the possibility for a political settlement.

The urgent crisis in Gaza continues to weigh heavily on the population. With a focus on the social and humanitarian impact of the political divide, the section presents a snapshot of the implications. More than three years on from the last conflict, it is also an opportunity to review reconstruction efforts and specifically the GRM. With regard to Area C, the section provides details on the potential boon for the PA, should it be able to access and develop the area. It also looks at the humanitarian and development needs of the population as well as provides an update on the state of planning.

II. Political Context

This summer marked fifty years since the June 1967 Arab-Israeli war, which resulted in Israel's occupation of the West Bank, East Jerusalem and Gaza. On that occasion, the Secretary-General reiterated that a negotiated two-state outcome is the only way to lay the foundations for enduring peace that is based on Israeli security needs and Palestinian aspirations for statehood and sovereignty. The Secretary-General underlined the urgency of creating the conditions for a return to negotiations to resolve all final status issues on the basis of relevant UN resolutions, international law and previous agreements.

Having declared Israeli-Palestinian peace negotiations a top foreign policy priority, U.S. President Trump met separately with Prime Minister Netanyahu and President Abbas in Washington, before heading to the region in late May. In meetings with the Israeli and Palestinian leadership, he reaffirmed the United States' commitment to assist the parties in reaching an agreement and highlighted the importance of regional actors in facilitating that goal. The President's visit was followed by several additional visits by his Senior Advisor Jared Kushner and Special Representative for International Negotiations Jason Greenblatt. The Middle East Quartet, at the Envoy level, convened for the first time this year in Jerusalem on 13 July to discuss U.S.-led efforts to advance peace in the Middle East as well as the deteriorating humanitarian situation in Gaza. While comprehensive negotiations have not resumed, limited agreements and understandings were reached between the parties covering

electricity, water, communication and postal services, though not all have been implemented thus far.

During the reporting period the Israeli Ministry of Finance and the Palestinian Ministry of Finance and Planning met at the technical and ministerial levels to discuss arrangements relating to transfers of accumulated dues on various accounts. Subsequently Prime Minister Rami Hamdallah met with Israeli Finance Minister Moshe Kahlon to discuss a range of measures to revitalize the Palestinian economy. In a positive development, in June Israel transferred to the PA accumulated dues on health stamps and equalization levies outstanding since September 2016. However, since July high-level engagement between the two ministries have stalled following the crisis in the Old City of Jerusalem. The parties are strongly encouraged to resume meaningful dialogue, including security coordination, and expedite the move towards resolving outstanding issues on fiscal transfers.

The Palestinian political landscape over the past five months has been largely dominated by the drastic deterioration of the relationship between Fatah and the *de facto* authorities in Gaza. Following Hamas' formation of an "Administrative Committee" to run governmental affairs in Gaza on 16 March, the Palestinian President took a number of measures to reduce the PA's fiscal expenditures in Gaza related to salary allowances and electricity supply. These steps in particular have had drastic consequences for the humanitarian situation in Gaza and have worsened relations between the PA and Hamas. Meanwhile, in addition to the Administrative Committee, Hamas has taken measures to strengthen its control of Gaza including by appointing local judicial personnel, thereby further enhancing the legal and administrative split between the West Bank and the Strip. Hamas has also clamped down on dissent, arresting Fatah members, banning them from political activities, and preventing some Fatah senior officials from leaving Gaza. The PA has also clamped down on dissent by arresting journalists and detaining political opponents, including several affiliated with former Fatah official Mohammed Dahlan who is currently working on a rapprochement with Hamas in Gaza.

The Palestinian President has consistently made three demands of Hamas to resolve the current standoff – to dissolve the Administrative Committee, allow the Government to assume its full responsibilities in Gaza, and hold general elections. However, to date no agreement has been reached and due to continuing disputes Palestinians in Gaza were unable to participate in the 13 May municipal elections held exclusively in the West Bank (excluding East Jerusalem). In all, prospects for Fatah-Hamas reconciliation have dimmed and, as a result, the West Bank and Gaza continue to drift further apart with potentially far-reaching consequences.

The period also witnessed significant escalation around the holy sites in the Old City of Jerusalem, following the killing of two Israeli police officers by two Arab citizens of Israel at one of the entrances to the Holy Esplanade on 14 July. The attack was widely condemned, including by Palestinian President Abbas and Israeli Prime Minister Netanyahu. In the aftermath the Israeli authorities closed the Holy Esplanade for two days to all visitors and worshippers. Israeli measures put in place following the attack, namely the installation of metal detectors at the gates to the compound, immediately turned into an issue of contention. The Islamic Waqf, the Grand Mufti of Jerusalem and the Palestinian Authority, as well as a large

number of East Jerusalem residents, rejected these measures as a unilateral change by Israel to the historical status quo arrangement, refused to enter the compound through the metal detectors and called for prayer and protest in and around the Old City. While the Government of Israel asserted that the metal detectors were intended to prevent new attacks and did not violate the status quo, it faced growing Palestinian protests and calls from within Israel and across the Muslim world to remove them. Clashes between protesters and police erupted after the Friday prayers of 21 July, sparking a few days of protests that resulted in the killing of six Palestinian demonstrators. On 21 July, three Israelis were murdered in the settlement of Halamish by a Palestinian attacker. President Abbas announced a halt to all contacts with the Israeli authorities, including security coordination. Following more than a week of protests and regional and international engagement by Jordan and others, the situation was resolved and subsequently Israel removed all the security measures and equipment that had been installed at the entrances to the Holy Esplanade. On Friday 28 July, the Waqf called on worshippers to resume prayers inside the compound. These steps significantly reduced tensions and restored the precarious stability in and around the holy sites.

Between 850 and 1,500 Palestinian detainees in Israeli detention undertook a hunger strike through a 40-day period in April-May demanding improved detention conditions, family visits, and the end to the practice of administrative detention. The hunger strike ended on the eve of Ramadan when a compromise deal was struck that addressed some of the prisoner's demands.

Settlement activity accelerated during the reporting period. The Israeli Government approved the advancement of plans for over 6,000 housing units in settlements, about 3,200 units in Area C settlements and 3,000 in East Jerusalem settlements. This brings the number of housing units advanced, approved or tendered since the beginning of 2017 to above 10,000, more than double the total during all of 2016. One of those plans is for the completely new settlement of Amihai deep inside the West Bank, where Israeli authorities also declared 241 acres as "state land". Both acts further obstruct the establishment of a contiguous Palestinian State in any future peace agreement. Speaking at an event held at the settlement of Barkan on 28 August to celebrate fifty years of Israeli control over the occupied West Bank, Prime Minister Netanyahu vowed to "build, strengthen and settle" in the territory and said that there "will be no more uprooting of settlements in the land of Israel," and, indicating an intention by his Government to expand settlements. Settlement activity in occupied territory is illegal under international law and a serious impediment to the two-state solution.

Over six months after the Knesset passed the controversial, so-called "Regularization Law", it remains unimplemented due to petitions filed against it in the High Court of Justice. If these petitions are dismissed, it could lead to retroactively legalizing more than dozens of existing Israeli outposts and thousands of additional housing units illegally built in Israeli settlements on land privately owned by Palestinians. Israel's Attorney General has called the law unconstitutional and refused to defend it in court.

III. Human Rights Situation, Protection

Serious human rights and protection concerns in the occupied Palestinian territory (oPt) persist. Clashes between Palestinians and the ISF continued, especially in the context of and following the 14 July events in the Old City of Jerusalem, with serious concerns about the use of force by the ISF, including use of live ammunition, tear gas, physical assault and sponge-tipped plastic and rubber bullets.

During the period under review (1 April - 31 August), 34 Palestinians including 10 children were killed. More than 2,900 Palestinians including 401 children, were injured. During the period under review, five Israelis were killed and 74 (including three children) were injured.

The tensions in East Jerusalem between 14 to 24 July, resulted in 1,071 of the Palestinian injuries during the reporting period, with 42 reportedly by live ammunition. Nineteen Israelis were injured, including 12 members of the ISF. On 21 July, three Palestinians were killed, two by the ISF and another by an armed civilian at a settlement. A fourth person died in the Al-Makased hospital from gunshot wounds on 22 July. On 21 July, a Palestinian from Kobar village stabbed to death three Israelis and injured a fourth in their house in the West Bank settlement of Halamish. Four close family members of the perpetrator were also indicted and sentenced by an Israeli court on 28 August to between 8 and 30 months in prison for omission to prevent a crime. Convictions of family members on such charges are rare.

During the reporting period, a number of Israeli practices have raised concerns about possible collective punishment, which would constitute a violation of international humanitarian law and international human rights law. Such practices have notably included the punitive demolition or sealing of houses and withholding of bodies of alleged perpetrators of attacks and the revocation of Jerusalem residency status of family members of alleged perpetrators of attacks. The restrictive nature of the closures of villages, extensive and violent house search operations in Palestinian neighbourhoods, confiscation of private assets and revocation of working permits, as well as measures taken for planning and zoning violations, remain a concern. In an unprecedented move, the Israeli authorities also filed a civil law suit for \$2.3 million against the immediate family of the Palestinian man that killed four soldiers in a ramming attack before being shot last January in Jerusalem.

In a positive step, the Israeli Supreme Court ruled on 25 July 2017 that there was no legal ground for the Israeli police to withhold the bodies of the three assailants of the 14 July attacks, and called on Israeli authorities to return the bodies of Palestinian attackers to their families.

In addition to the levels of force used by the ISF, the raids on health facilities, including the emergency room at the Al-Makased Hospital in East Jerusalem, are of serious concern. Statements from staff and video surveillance show ISF attempting to detain persons undergoing lifesaving treatment. This raises a number of human rights concerns, including impeding the right to health.

After a three-year decline, settler-related violence rose during the first seven months of 2017. During the period 117 incidents, attributed to Israeli settlers, that resulted in Palestinian casualties or in damage to Palestinian property were documented. On a monthly average, this represents an almost two-fold increase compared with 2016. The increase in settler-related violence against Palestinians correlates with a major rise in Palestinian attacks against Israelis: during this period, 214 incidents resulting in injuries or damage to property of Israeli settlers were recorded, 96% of which were stone-throwing incidents. While the decline in settler attacks in recent years can be attributed to preventive measures adopted by the Israeli authorities, there are still serious gaps in holding violent settlers accountable, with the vast majority of complaints ending without prosecutions. Israel is encouraged to continue its efforts to contain settler-related violence.

The ceasefire between Israel and Hamas has continued to hold despite a few incidents of rocket fire towards Israel and Israeli airstrikes in Gaza, which resulted in no casualties. On the other hand, regular clashes between Palestinian civilians and ISF in the so-called access restricted area in Gaza continued. Between 1 April and 28 August 2017, four Palestinians were killed and 145 were injured in Gaza, compared to three Palestinians killed and 48 injured between September 2016 and the end of March 2017.

The fates of two Israeli civilians who disappeared in Gaza during the past two years continue to be unknown. So far, Hamas has not released any information on their status as well as on the remains of two Israeli soldiers who have been missing in Gaza since the 2014 hostilities. It is important that all efforts be made to secure information about the civilians and the missing soldiers and enable their immediate return to Israel. Intentionally withholding information about missing persons violates international humanitarian law.

The Palestinian Independent Commission for Human Rights reported 60 cases of torture and ill-treatment of detainees held by Palestinian authorities in the West Bank and Gaza during May and June. In May, three Palestinians were executed by Hamas in Gaza in relation to the killing of a senior Hamas leader by unidentified assailants on 24 March. The executions were condemned as unlawful by the United Nations High Commissioner for Human Rights and others in the international community. A further five death sentences were handed down by both civil and military courts for drug trafficking, collaboration and murder during the reporting period and seven were confirmed on appeal.

Arrests and detention of journalists, political opponents and activists

A shrinking space for civil society has characterized the reporting period. Both in the West Bank and Gaza, Palestinian authorities have taken measures against journalists, social media activists and members of the political opposition, raising strong concerns about freedom of expression. On 15 June, the Palestinian Attorney General banned almost 30 websites on the grounds that they were supporting Mohammad Dahlan, Hamas or ISIS, as well as other websites that published critical content about the Palestinian Authority. On 24 June 2017, the Cybercrime Decree Law was adopted by the Palestinian President without prior consultations with civil society and enacted with its publication in the official gazette on 9 July. The new law

raises strong concerns about the criminalization of free speech and interference with privacy. In August, six journalists were reportedly arrested based on this law.

In Gaza, a social media activist was arrested on 3 July by Hamas and detained for almost two weeks on charges of incitement against the authorities. A journalist who had been arrested on 8 June remained detained for more than two months on allegations of collaboration with the authorities in Ramallah, before being released on 13 August.

In compliance with a decision taken by the Palestinian Cabinet on 21 April 2016, non-profit entities, including those operating in Gaza, continued to subject all their fund applications to the scrutiny of the Palestinian Ministry of National Economy (MoNE), while the receipt and disbursement of funds remained contingent on prior approval by the Palestinian Cabinet. This decision undermines the autonomy and scope of operation of non-profit organizations across the oPt, with more serious consequences for organizations operating in Gaza, as those are also subjected to the scrutiny of the *de facto* Hamas authorities.

By the end of August 2017, 11 members of the Palestinian Legislative Council remain in administrative detention in Israel, including Khalida Jarrar, who was arrested on 1 July 2017. On 9 July 2017, the first witnesses were heard in the trial of Issa Amro, a well-known human rights defender and non-violent activist, co-founder and coordinator of the NGO, Youth Against Settlements. Issa Amro was arrested and released by Israel in February 2016 for his involvement in the organization of a peaceful demonstration. He is currently being held to account for 18 criminal charges related to his human rights work and events that happened as far back as 2010, including alleged incitement to violence. Another human rights defender, Farid Al-Atrash, is reportedly held to account for four criminal charges relating to the same incident in February 2016.

Overall, in the first seven months of 2017, the Israeli authorities demolished or seized a total of 291 Palestinian-owned structures, resulting in the displacement of 40 Palestinians, a major decline compared with the equivalent period of 2016, where 706 Palestinian-owned structures were demolished or seized, displacing 1,083 Palestinians. In East Jerusalem, the number of structures targeted declined only slightly while the number of persons displaced as a result, increased from 101 to 166 persons compared to the corresponding period in 2016. Further, some 12,500 demolition orders remain pending against Palestinian structures.² 50 % of the structures that have been demolished and more than half – 58 % - of the people displaced due to demolitions between 2015 and mid-2017 belong to Bedouin/Herder communities.

Movement and access

Two million Palestinians in Gaza remain unable to access the remainder of the occupied Palestinian territory and the outside world. Only a small minority of people are eligible for exit permits *via* Israel (Erez crossing), primarily patients, business people and staff of international organizations. Due to the security situation in the Sinai, the Rafah crossing between Gaza and Egypt remains closed. In 2017 the crossing has been open 16 days. A more detailed analysis

of the movement and access challenges for Gaza's population is provided in the following section on Gaza.

In the West Bank, no major changes in movement and access were recorded during the reporting period. As has been the case since the escalation in violence in the last quarter of 2015, temporary travel restrictions were imposed occasionally, whereby Israeli forces blocked one or more of the main entries of communities where the perpetrators of attacks against Israelis lived (regardless of the actual location of the attack), or where stone and Molotov cocktails are regularly thrown at Israeli vehicles. Access to East Jerusalem remains largely off-limits to most residents of the oPt, as do the areas between the Barrier and the Green Line.

Of particular concern is the situation of approximately 2,000 Palestinians living in the closed area (Tel Rumeida neighbourhood and Al Shuhada street) of H2 in Hebron city. Only Palestinian residents of this area who were registered with the army are allowed through the two checkpoints, which control access to and from their homes, undermining their access to basic services. During Jewish holidays and celebrations, the area is hermetically sealed off to Palestinians, leaving some locked in their homes and others unable to return home on time. This has further isolated residents and undermined their living conditions. During the reporting period, two additional checkpoints were established in this area, and a process of fingerprinting its inhabitants was initiated. A military order signed in August by the IDF Central Command formally established a municipal services body for some 500 Israeli settlers in the city of Hebron. The order seemingly decreases the authority of the Hebron Municipality over areas of H2 and underlines existing divisions within the already tense and separated city.

During the month of Ramadan (27 May-26 June), Israeli authorities implemented a series of temporary relaxation measures, resulting in around 348,000 Palestinians holding West Bank ID cards entering East Jerusalem for Friday prayers and *Laylat al Qadr* (the night of destiny). This represents an increase of 15% over the equivalent figures in 2016. Less than 500 Palestinians from the Gaza Strip were allowed access to East Jerusalem for these events. While arrangements at checkpoints to facilitate access were put in place, vulnerable groups including elderly, children, and people with disabilities faced several challenges.

During the reporting period, increased restrictions were reported in the northern West Bank affecting the access of farmers to their agricultural land in the 'Seam Zone' isolated by the Barrier. All Palestinians above the age of 12 who need to enter this area, including for agricultural purposes, are required to obtain a special permit. Although these restrictions have been included in previous 'Standing Orders' published by the Israeli authorities, the concern is that stricter application of regulations will further restrict Palestinian access to agricultural land and livelihoods in Barrier-affected areas. In the northern West Bank, the approval rate for permit applications to access land in the 'Seam Zone' was 58% in the 2016 olive harvest, totaling 6,707 approvals, with some 4,700 applications by farmers rejected. As per the 2004 Advisory Opinion of the International Court of Justice (ICJ), the section of the Barrier that runs within the West Bank (currently approximately 85%) is illegal and must be removed.

International non-governmental organizations (INGOs) have faced difficulties obtaining work visas for incoming international staff. As of June 2017, Israeli authorities suspended the issuance of “recommendation letters”, a precondition for obtaining a work visa. The discontinuation of these services, without an alternative mechanism in place to ensure consistent access of staff to their duty stations will disrupt humanitarian operations, as key staff arriving from abroad will be unable to effectively manage and monitor operations.

IV. Gaza

Gaza is in the midst of a man-made humanitarian crisis that is deteriorating faster than anticipated. In 2012, the UN projected an annual growth rate of real GDP per capita of Gaza in the range of 0.6-1.5% in a low growth scenario.³ Since then, real GDP per capita in Gaza has instead decreased. On the current trajectory, Gaza’s annual unemployment rate, currently at 42% can be expected to exceed 44% by 2020.⁴ Provision of basic services, including health and education, has continued to decline, as the needs for additional infrastructure and personnel have not been met. The number of doctors, nurses and hospital beds, relative to the population, declined by 15, 12 and 5 percentage points respectively between 2010 and 2017,⁵ and the teacher/student ratio declined by more than 5 percentage points over the past five years⁶.

Earlier this year it appeared possible that the bulk of Gaza’s reconstruction from 2014 could be completed in 2017. However, progress since May has not reached its full potential – largely due to the lack of funding for reconstruction. Israel and the Palestinian Authority have however clearly expressed their commitment to prioritize completion of the reconstruction task by mid-2018. To reach this objective, donors must disburse without delay the remainder of their pledged funds.

At the same time, as the reconstruction work is scaling down, attention is increasingly shifting towards larger infrastructure projects, including in the critical water, energy and health sectors. To facilitate these projects, it is critical that the approval and import of more “dual-use” items other than rebar and cement is simplified and expedited. Israel is encouraged to ensure that there is one clear process for approval, which is communicated to all users, that responses are provided within a set timeframe, and that the backlog of nearly 4,000 items pending approval under the GRM is addressed as quickly as possible.

As indicated above, the humanitarian situation in Gaza has worsened in the reporting period. While UNSCO’s previous report for the AHLC warned of de-development in Gaza, we are now seeing the unfolding of a real humanitarian crisis. Against the backdrop of the closures on Gaza, three armed conflicts, and a decade of Hamas control, the recent measures by the Palestinian Government have deeply impacted the civilian population in the Strip. Critical shortages of electricity have had a significant impact on the provision of basic services, in particular health, water and sanitation. With 40% of essential medicines either out of stock or nearly depleted and a significant backlog of patients requiring urgent medical referral to hospitals outside the Strip, health conditions have deteriorated seriously.

Large cuts in salary benefits and allowances of public sector employees, and recently announced early retirement plans for thousands of public sector employees, further threaten the delivery of basic services. Together with the electricity crisis, these measures are affecting Gaza's already floundering economy. In the first quarter (Q1) of 2017, Gaza's Gross Domestic Product (GDP) grew only by 0.4% (year on year) as compared with 15% in Q1 of 2016.⁷ As a result, per capita GDP declined 2.8% in Gaza in Q1 of 2017. This was before the effects of the electricity and salary crisis began to impact economic activity in Gaza. The unemployment rate, which in Q1 of 2017 was similar to the corresponding level in Q1 of 2016, increased in the second quarter (Q2) of 2017 to 44.0% (compared to 41.7% in Q2 of 2016). The PA, Hamas and Israel all have obligations for the welfare of Gaza's residents, and must live up to their responsibilities to address the current crisis.

The last decade has decimated Gaza's productive capacities and basic infrastructure, leaving the majority of its population dependent on aid. The current operating environment in Gaza results in the donor community focusing efforts on short term, humanitarian interventions, and contributes to perpetual aid dependency. In addition, the recurrent escalations of hostilities divert attention away from longer term development projects, and addressing underlying structural and development challenges, thereby contributing to a cycle of humanitarian need. At this point, international humanitarian assistance and UNRWA's large-scale social services are largely keeping a major catastrophe from fully unfolding in Gaza.

Movement and Access for Palestinians in Gaza

Since the second half of 2016, the number of Palestinians allowed to leave Gaza via Israel, (which increased after the 2014 hostilities), has been in decline: average monthly exits dropped from 15,027 (2015) to 13,187 (2016) to only 7,168 in the first half of 2017. Average monthly exits through Erez during Q2 of 2017 was 28% lower than those in Q1 of 2017 and 54% lower than the monthly average for 2016.

The impact of restrictions on movement *via* Erez has been compounded by the almost continuous closure of the Rafah crossing during the reporting period. The Crossing opened in one direction for only four days in May, permitting a total of 3,068 humanitarian cases and pre-registered Gaza individuals to enter Gaza from Egypt. Rafah crossing was also open for 12 days in June and July to facilitate the transfer of fuel to Gaza's power plant and private sector. In August, the Crossing was open for four days in both directions and three days in one direction, during which over 6,000 travelers (including 3,342 pilgrims) crossed into Egypt and close to 2,000 persons crossed back into Gaza. About 200 were denied access. Rafah crossing must be open not only more often but in a more predictable manner.

The denial rate of permit applications for UN national staff to enter or leave Gaza, declined in the first half of 2017 to 9% from 31% in 2016. However, 44% of the applications submitted so far in 2017 had received no response by the date of travel. Restrictions on staff travel were further compounded in August 2017, with limitations imposed on carrying work-related items, including personal laptops, out of Gaza.

There has been a significant decline in acceptance rates for patients applying to Israeli authorities for permits to exit Gaza for healthcare since October 2016. During April-July 2017, 52.6% of permit applications for patients to access healthcare outside of Gaza were approved compared with 68.3% over the same period in 2016. For 2016, the Palestinian Center for Human Rights has reported a 44% success rate in overturning decisions to deny patients permits to access health care, through court appeals.

On 7 May, Israeli authorities announced that patients applying for non-urgent permits to exit Gaza for healthcare should submit their applications 20 working days in advance of their hospital appointments. This translates into a doubling of the previous requirement of 10 working days, and a quadrupling of the previously agreed period of five working days in processing time.

The Kerem Shalom crossing remained the only regular commercial route between Gaza and the external world. The average volume of imports during the first half of 2017 slightly declined compared to 2016 (9,542 vs. 9,973 truckloads a month). This volume is some 15% lower than prior to the imposition of the closures, while current needs have increased dramatically due to population growth and the devastation resulting from recurrent hostilities since then. The import of goods defined by Israel as “dual use items” has remained severely restricted.

Exports and transfers from Gaza during this period increased by over 50% compared to the 2016 monthly average; however, they constituted less than 30% of the corresponding figure prior to 2007. The value of agricultural exports from Gaza increased by 112 % during the first half of 2017 compared to the same period in 2016.

The fishing zone remains restricted to 6 nautical miles, with limited extension to 9 nautical miles granted during the sardine fishing season. Israel has agreed in principle to the construction of a marine aquaculture farm within the fishing zone, which promises to be an important transformative intervention to promote the resilience of Gaza fisheries. This will require further unprecedented coordination efforts to ensure the realization of this project and access to indispensable “dual use” materials.

Public Sector Salaries and Forced Early Retirement

Since March 2017, the Palestinian Authority (PA) has cut the salary benefits and allowances of some 62,000 public employees in Gaza by 30-70%; and in early July, the Ramallah-based cabinet referred around 7,000 of the Gaza-based employees hired by the PA to early retirement. While the full impact of these measures is yet to materialize, it is expected to further compound the dire socio-economic situation and may lead to disruptions in the delivery of basic services. Moreover, given the already high levels of poverty and food insecurity, the cuts in salary benefits are expected to increase the hardship on thousands of families, already struggling to make ends meet. At the same time, while many public sector employees, who have seen their salaries reduced, continue to work, their morale is likely to decrease.

The impact of forced retirements is likely to be even worse. Lack of staffing will also impact the management and regulation of the water sector, with the expectation that maintenance of infrastructure and monitoring of water quality will be compromised.

At the same time, the sudden loss of qualified staff within the ministries, directorates and service delivery institutions, is expected to significantly impact ongoing development programmes in Gaza. Many of the affected staff are among those that have been trained and equipped through UN capacity building programmes. These significant investments will now be lost. At the same time, the pressure on UN services will further increase, as the reduced supply in public services is likely to shift demand towards the UN – particularly UNRWA. It must also be noted, that given the restrictions by many donors on working directly with Hamas, the loss of qualified PA staff in Gaza will significantly impact the operating environment in Gaza as many of the UN's interlocutors will be retired. Similarly, the level of technical coordination between Gaza and Ramallah, as well as between Gaza and Israel, is likely to be reduced, potentially impacting programme implementation.

Energy and Water

Gaza has long been characterized by a chronic energy deficit with supply only meeting half of demand and most households in Gaza receiving electricity around 12-16 hours per day prior to the current crisis. During the reporting period the energy situation deteriorated further. In mid-April, Gaza's sole power plant (GPP), which supplied roughly a third (60 MW) of the total 210 MW pre-crisis supply, shut down for lack of fuel. Compounding the situation further, in May the PA informed the Israeli Electricity Corporation that it will no longer pay for the full electricity bill and that it would only continue covering 70% of the bill with a maximum cap of NIS 25 million per month. Subsequently, Israel reduced its supply accordingly in late June from 120 MW to approximately 70 MW per day. This resulted in most households in Gaza receiving 3-6 hours of electricity per day.

In June, the *de facto* Hamas authorities in Gaza reached an agreement with Egypt to purchase fuel in order to resume operations of the GPP. However, the Egyptian fuel for the GPP has only produced enough power to offset some of the reductions from the Israeli supply. In addition, for most of the reporting period, the remaining and third source of energy supply - Egyptian electricity feeder lines - have been down due to technical malfunctioning. As a result, Gaza's power supply has mostly not exceeded 135 MW per day (a significant decrease from 210 MW prior to the shut-down of the GPP) against an estimated demand of 450 - 500 MW.

On average, households are currently receiving about 3-6 hours of electricity per day. The longer blackouts are having a pervasive impact on all aspects of life, undermining basic services and generating serious public health concerns. Hospitals are postponing elective surgeries, discharging patients prematurely, and reducing cleaning and sterilizing of medical facilities. Water supply through the network reaches most homes for just a few hours every 3-5 days, and desalination plants are functioning at only 15% of their capacity. More than 108 million litres of untreated sewage are being discharged into the Mediterranean Sea every day, while wastewater pumping stations are at constant risk of overflow. Disruptions to the energy

supply impact the ability of farmers and rural communities to irrigate their lands, posing a risk to food security and livelihoods.

To prevent the collapse of essential services, the UN is coordinating the distribution of emergency fuel to 190 critical facilities, such as hospitals and critical water infrastructure, through generous donor support. Funds for emergency fuel for back-up generators are expected to be exhausted by end of December. In addition, the UN has launched an emergency appeal to address the deteriorating situation in three key areas: health, water and sanitation and food security. The emergency appeal also promotes solar powered water pumping systems to supply irrigation water to farmers. Currently, only 47.5% of the funding sought by the appeal had been raised.

Remedies are available to reverse the current electricity crisis relatively quickly if the political obstacles can be overcome. In the short-term, a series of measures can help restore the energy supply to levels prior to the current crisis, including the full supply of the 120 MW of electricity from Israel and ensuring a reliable supply from Egypt. A reform of the management of the Gaza Electricity Distribution Company (GEDCO) and a financial audit would also complement these measures. In parallel, these measures must be accompanied by medium to long-term interventions aimed at increasing the supply in a sustainable manner and reducing the chronic energy deficit.

Such initiatives must include the upgrading of the 161 kV line, a gas pipeline for the GPP, and increasing the supply from Egypt. The Government of Israel should continue to facilitate the entry of materials needed for the energy and critical wastewater infrastructure to mitigate the impact of the energy crisis.

As mentioned in previous reports to the AHLC, Gaza has long suffered a water shortage and the Strip's main source of potable water, the coastal aquifer, will be depleted with irreversible damage by 2020 if extraction continues at current rates. Additional and alternative sources of water are therefore critical to address the water deficit in Gaza. The recent agreement of 13 July on Palestinian allocation of water including 10 million cubic meters for Gaza, as part of the Red-Dead Sea Water Conveyance Project, is a welcome development. However, both sides must take the necessary measures to ensure that the allocated water is quickly supplied to the Gaza Strip, including facilitation of any infrastructure upgrades that may be needed.

Materials required to construct and sustain the operation of essential water, sanitation and hygiene services must be authorized by Israel for entry in a timely manner to address the chronic water and sanitation deficits in the Strip. The restrictions related to "dual-use" materials, in particular, have stalled the construction or improvement of critical water and sanitation infrastructure.

Provision of Healthcare

From mid-May, a substantial decline in the financial support by the PA for patients from Gaza seeking healthcare outside of the Gaza Strip was recorded. The rate of financial approval by

the Services Purchasing Unit of the Ministry of Health declined from over 95% prior to mid-May to less than 50% in July.

The last bulk shipment of medicines and disposable medical supplies to Gaza was recorded in March 2017. Since then, while some small supply shipments continued, the proportion of the Essential Medicines List (EML) that is completely depleted at zero stock (i.e. either unavailable or with less than one month's supply remaining) or in shortage (with less than three months' supply remaining) has increased. In August 2017, 40% of essential medicines and 34% of essential medical disposables in Gaza were at zero stock.

The depletion of essential medicines and medical supplies has significant implications for the availability of healthcare to patients in Gaza, increasing reliance of the health system on external referrals. This comes against the backdrop of reductions in resources in the health sector over the last ten years, including a decline in the number of doctors and nurses per unit of the population and beds per unit of the population. Gaza already lacks certain facilities that are essential for specific treatment pathways, such as radiotherapy for cancer treatment and PET scans for follow up monitoring of cancer patients.

Humanitarian response and funding

In July, humanitarian agencies in the occupied Palestinian territory (oPt) appealed to the international community to provide \$25 million in humanitarian funding for urgent lifesaving interventions to stabilize the situation in the Gaza Strip following the electricity crisis. The appeal addresses urgent needs in three key sectors: health, water and sanitation, and food security. All except one of the proposed interventions were already part of the Humanitarian Response Plan (HRP) launched in December 2016, but could not be implemented due to lack of funding.

Some interventions aim to secure fuel to operate backup electricity generators for hospitals and for 130 critical water and sanitation installations, as well as providing spare parts and maintenance for critical machinery, including generators. To prevent the outbreak of water-borne diseases and respond to the heightened risk of diarrheal disease outbreaks, other interventions seek the provision of chemicals for water treatment and hygiene kits for very vulnerable households. The funding also targets shortages in medical supplies and includes assistance to food-insecure families and vulnerable farmers whose livelihoods are under threat. As of 5 September, 47.5% of the funding sought for the Gaza Urgent Funding Appeal has been raised, at US\$ 12 million. Of the amount raised, only 34.3 % is in direct donations from the USA, Canada, France, Japan, Spain, Switzerland, the Islamic Development Bank and private donors, while 65.6 % has been raised from the oPt Humanitarian Fund (HF) and the Central Emergency Response Fund (CERF) allocations, administered by OCHA, as well as organizations' internal re-allocations of funding.

V. Area C

Turning to Area C, Israel's continued control over planning and construction has prevented Palestinian access to and development of the most significant land and natural resources in the West Bank. Notably, settlement expansion and designation of land for exclusive Israeli use continues. Since the Oslo Accords, the settlement population in Area C and East Jerusalem has doubled.⁸ Around 400,000 settlers reside in approximately 230 settlements and outposts in Area C, and some 300,000 Palestinians in 532 residential areas.⁹

In light of the persistent constraints on economic development and the coercive environment around Palestinian residents, the humanitarian and development assistance needs of Palestinians in Area C continued to be significant during the reporting period. The Palestinian population in Area C grapples with disproportionately high levels of food insecurity (24%)¹⁰, shrinking employment opportunities and increased poverty, and severely restricted access to agricultural and grazing lands as well as to its cultural and natural heritage.

Illustrative of humanitarian hardships in Area C, around 70% of its Palestinian communities remain disconnected from the water network, while one quarter are connected, but irregularly supplied¹¹. The need for approval of permits from the Israeli Civil Administration (ICA) for implementation of projects have delayed, and in several cases prevented, development or expansion of water supply infrastructure.

While the recent reactivation of the Joint Water Committee was a welcome step towards facilitating improved water supply for the West Bank, at publication, this has not yet translated into progress to maintain or invest in irrigation wells and related water distribution systems. The parties are strongly encouraged to continue to meet, allowing the Palestinian Authority greater autonomy over water infrastructure. The ICA is urged to adopt a flexible, time-effective and consistent policy in issuing permits for repairing water infrastructure for Area C communities.

Under the recent agreement related to the implementation of the Memorandum of Understanding for the implementation of the Red-Dead Water Conveyance Project, 32 million cubic meters should be sold by Israel to Palestine. Also of note, on 10 July, an interim power purchasing agreement was signed between Israelis and Palestinians, energizing the first Palestinian-owned and operated substation in Jenin. This will increase electricity supply in the northern West Bank and help the Palestinian Authority take control of the energy sector. Both sides should now move to negotiate a comprehensive Israeli-Palestinian power purchasing agreement that would be a landmark achievement towards Palestinian energy independence.

Access to education, basic health care and other public services remain severely constrained due to the restrictive planning and permit regime as well as movement and access restrictions. Over a third of residential areas (189 out of 532) lack a primary school, while, for over ten years, health care has been provided by mobile health clinics operated by international organizations. Access to services, including justice, remains particularly challenging for

Palestinian women in Area C. Providing access to basic services is an obligation of the occupying power.

The restrictive planning regime makes it virtually impossible for Palestinians to obtain building permits, impeding the development of adequate housing, infrastructure and livelihoods. Less than 1% of Area C is covered by approved outline plans allowing Palestinians to apply for and obtain building permit. Between 2007 and May 2016, less than 4% of applications for building permits were approved. Palestinians in Area C therefore face little option but to build without permit, facing the risk of demolition and displacement. In this context, the publicly stated intention of Israel to relocate thousands of Palestinians residing in Area C remains a key concern.¹² Under particular threat are some 7,500 persons belonging to 46 Bedouin communities, the overwhelming majority of whom are refugees. Many of these communities, particularly in the Jerusalem-Jericho corridor, live in areas intended for settlement expansion. Israeli policies in these areas have a direct adverse impact on the rights of Palestinians, resulting in forced evictions, the loss of property and sources of livelihood, restrictions on access to services, and a range of threats to physical security. Such violations of International Human Rights and humanitarian law contribute to the creation of a coercive environment, placing particular communities at risk of forcible transfer as they are pushed out of their areas of residence.¹³ In a positive move, the State Attorney announced to the High Court in June its decision to freeze the planning process of the Nuweimeh township near Jericho, intended for the transfer of Bedouin communities.

With a view to promoting planned urban development and better protecting Palestinian land and property from demolition, community-driven outline plans (110) have been prepared since 2011. Out of 101 plans submitted, only five plans have been approved (unchanged since last AHLC meeting), while 96 plans have been pending with ICA for more than 18 months. These plans cover 121 Palestinian communities with a total planned area of 72,312 dunums, targeting 148,301 Palestinians.

The Government of Israel is urged to expedite approvals for the outstanding outline plans, enabling community-led planning processes that are essential for the demographic and economic growth of these communities, and, pending such approval, to halt demolitions of Palestinian homes and other structures built without Israeli permits. The Government of Palestine is encouraged to strengthen its planning functions by activating the local/district planning committees in Area C and finalizing the National Spatial Plan that will connect rural hinterlands in Area C with urban centres in Areas A and B. In May, the Ministry of Local Government initiated a new project aimed at fostering tenure security and resilience of Palestinian communities through spatial-economic planning interventions in Area C during 2017-2020. The project includes the preparation of five new outline plans using a human-rights based approach, and the consolidation of 25 existing plans.

For Area C to reach its full potential and enable the Palestinian people to enjoy full development and, ultimately, exercise their right to self-determination, implementation of the above recommendations would only constitute minor steps. A fundamental shift in approach and policy by Israel vis-à-vis Area C is required – one which recognizes and acts on

commitments laid out in the 1995 Interim Agreement and complies with Israel's obligations under international humanitarian and human rights law as the occupying power.

As of May 2017, the UN was implementing at least 158 interventions in 18 ongoing development-oriented programs, at a cost of roughly \$28 million. The main areas of intervention were in the fields of livelihood, poverty alleviation and business development, rule of law, water, agriculture, health, education, sports and tourism, women's empowerment and economic development. These interventions are part of the broader United Nations Country Team's commitment to support the PA to improve the living conditions and addressing the humanitarian, development and protection challenges facing Palestinian communities in Area C. Specifically, this includes programmes to enhance food safety and support to farmers, and with regard to spatial-economic planning. The UN further promotes inclusive economic growth, land protection, community resilience as well as supports the provision of quick impact facilities for water security, electricity and waste-water in Area C. Support to the PA is also provided in the education and health sectors, including through provision of essential health and nutrition services to children and women in vulnerable communities as well as to refugees, protective presence to ensure safe access to education, rehabilitation of schools and support to vulnerable adolescents. To advance gender equality and empowerment, the UN provides legal aid in addition to support to advancing laws, strategies and policies at the national levels. The UN is also supporting management and conservation of two cultural heritage sites (Battir and Sebastia).

Looking forward, the recently signed UNDAF (2018-2022) aims at strengthening the resilience of communities in Area C in the medium-term, supporting efforts to help improve the territorial integrity and contiguity of Palestine, including by supporting the development of an effective National Spatial Plan/Framework for the State of Palestine.

VI. Conclusion

The absence of a political process for achieving the two-state solution remains a serious impediment to Palestine's development. Fifty years have passed since the 1967 war which resulted in Israel's occupation of Gaza and the West Bank including East Jerusalem and 24 years since the signing of the Oslo Accords, yet we are no closer to a sustainable solution that meets the needs and aspirations of Palestinians and Israelis alike.

The events of late July in East Jerusalem are a clear indication of the dangers of turning the national Palestinian-Israeli conflict in to a religious one. That these events have resulted in decreased coordination between the parties is lamentable, if not dangerous.

Renewed international engagement will be needed to help the parties overcome key obstacles. But they also have responsibilities themselves. Israel is urged to immediately cease settlement expansion and activities. It must commit itself to implement previously signed agreements including increasing Palestinian authority over parts of the West Bank that will foster economic growth, reduce dependency and preserve the viability of the two-state solution.

At the same time, the deepening of the internal Palestinian divide undermines the Palestinian cause and is a further impediment to development and economic growth. The negative humanitarian effects of Israeli closures that already severely restrict the access of people and goods into the Strip are compounded by the Palestinian Government's recent measures on Gaza. While realizing the goal of reuniting Gaza and the West Bank under a single, legitimate Palestinian authority is essential, the severe humanitarian crisis caused by these measures is driving Gaza further away from the West Bank. The population in the Strip is experiencing unprecedentedly low levels of electricity, deteriorating infrastructure, and an almost total lack of sewage treatment while still recovering from the impact of the last round of conflict and destruction. Humanitarian intervention is urgently required at a time when our attention should be focused on pursuing economic development.

The obligations of Israel, the Palestinian Government and the *de facto* Hamas authorities to ensure the well-being of Gaza's population notwithstanding, a sustainable solution to Gaza's problems requires an urgent political solution that is in line with the PLO principles.

Despite the dire circumstances, the GRM remains a positive example of coordination between the parties concerning the effort to respond to the devastation of the 2014 conflict. The degree of reconstruction and repair that it has facilitated is a laudable achievement. Yet, the mechanism is limited as a tool for reinvigorating the economy. Prolonged waiting times and lack of clarity on procedures for the import of "dual use" materials beyond cement and re-bar remain critical impediments. Ultimately, nothing short of a full lifting of the closures in line with Security Council resolution 1860 (2009) will do. Looking forward, any discussion on the mechanism's future must come as the result of a clearly articulated and joint Israeli-PA commitment both to finalize the reconstruction phase and take measures to revitalize Gaza's economy. However, a significant funding gap remains with some \$150 million still required for the reconstruction of fully destroyed houses. It is crucial that those who made pledges to fund Gaza's reconstruction, follow through.

Efforts to positively alter the reality on the ground through the implementation of Israeli-Palestinian water, energy and other agreements and projects are a welcome start, but not an end in and of themselves. Increased Palestinian control over its resources and economy are imperatives that we must work towards. To this end, expanding Palestinian access to and authority in Area C and the realization of its economic, social and cultural potential is critical. Since the last AHLC meeting, there has been no discernable change in Israeli policies concerning planning restrictions, the permit regime or extending Palestinian civilian control in the West Bank.

The United Nations continues to demonstrate its commitment by its actions on the ground. The agreement on a new UNDAF with the Office of the Prime Minister, stands as a testament to the UN's commitment to Palestine, its goal of achieving independence and the two-state solution. The UN stands ready to support the parties and the international community in achieving progress wherever possible. The overarching goal of the \$1.3 billion UNDAF strategy is to enhance development prospects of the people of Palestine by advancing

Palestinian statehood, transparent and effective institutions, and by addressing key drivers of vulnerability.¹⁴

ANNEX

Gaza Recovery and Reconstruction and the Gaza Reconstruction Mechanism

Three years after the cessation of the 2014 hostilities in the Gaza Strip, significant progress has been made to rebuild and repair the vast damages to civilian infrastructure. Nearly all schools, hospitals, and water and energy facilities that were damaged or destroyed in 2014 have been repaired, with some work currently ongoing on those facilities yet to be completed.

The reconstruction and repair of destroyed and damaged houses also continues to see significant progress. Out of the 17,800 houses which were either totally destroyed or so severely damaged as to be uninhabitable, more than 65% have now been completed and work is ongoing on another 6.5%. Of the 153,200 houses which were partially damaged in 2014, more than 56% have been repaired while work is ongoing on another 6.5%. However, there is currently a funding gap of \$147 million to rebuild 3,700 totally destroyed houses, as well as a gap of \$83 million to complete the repair of partial damages. As a result, some 29,000 people remain displaced living in temporary shelters, often in very poor conditions.

Rehabilitation of Gaza's productive sectors continues to lag behind. Out of the 3,404 non-agricultural private sector businesses damaged in 2014, only one-third have received some sort of compensation. Moreover, the compensation received by these businesses covers less than one quarter of the estimated value of the damage sustained. As a result, for these 3,404 businesses, sales have dropped by 57%, and employment plummeted by 62%.¹⁵ Additional support is critical to reverse the degradation of Gaza's private sector capabilities.

The conclusion of the reconstruction phase is now within sight. However, a last joint push is critical to ensure funding for the remaining tasks. As of December 2016 about 53% of the \$3.5 billion pledged for Gaza at the Cairo conference has been disbursed. Donors are urged to fulfil commitments made for Gaza's reconstruction at the Cairo conference and beyond.

While the reconstruction process over the past three years has been an arduous process, the rehabilitation of such a vast amount of conflict damages within such a relatively short period of time is a significant achievement, which in large part can be attributed to the Gaza Reconstruction Mechanism (GRM). Over 2.4 million tons of construction materials entered Gaza through this process, with more than 120,000 individual beneficiaries being able to access cement and rebar for reconstruction and repair of their homes. Just as important for the first time the private sector was allowed to access construction material, thereby helping to revitalize the economy in the immediate aftermath of the hostilities and contributing to needed stability in the Strip. However, the private sector's access to the GRM has been reduced significantly this year. While, the private sector accounts for 55% of all large scale projects in the GRM, only 12% of the large scale projects approved in 2017 are private sector projects.

While the GRM has been successful in facilitating the import of construction materials (cement and re-bar), it has been less successful in enabling the import of other so-called "dual-use" materials, such as water pumps, elevators, wood, cables and other electrical equipment. Nearly

4,000 requested items are awaiting decisions by Israeli authorities for import, of which nearly half have been pending for over six months. In a welcome development, the rate of approval for these items has significantly increased in recent months. However, the items approved were largely for projects implemented by international donors.

The parties to the agreement must urgently continue engagement with and commitment to the mechanism to enhance its functionality and maximize its potential, by ensuring that it is a predictable mechanism for the import of needed materials for reconstruction and recovery of the Strip. Based on previous averages, and assuming that donors will fund the remaining reconstruction tasks, the GRM will continue functioning until mid-2018 in order to finalize reconstruction. The Materials Monitoring Unit (MMU) is an essential component of the GRM agreement and will need additional financing to maintain operations until then.

It is important to note, however, that the GRM was designed as a temporary measure. Three years after the cessation of hostilities in Gaza it is an appropriate moment to take stock. Taking into account the lessons learned from the GRM experience, the parties, donors and the international community are encouraged to initiate discussions on the next steps, with a view to moving towards the full lifting of the closures in line with Security Council Resolution 1860.

Endnotes

¹ The total coverage of the community-driven outline plans fully approved is [1,064 dunums](#). Adding this figure to the figure of 18,009 dunums as per Bimkom's fact sheet titled 'Under the Guise of Green (2014)', the total area covered by Israeli-approved plans is 19,073 dunums. Thus less than 0.6 percent of the land in Area C has approved local outline plans that should facilitate the issuance of building permits for Palestinians (mainly for housing activities). This marks an increase of 0.2 percentage points to the percentage (0.4) that was captured in the '[One UN](#)' Approach to Spatial Planning in "Area C" of the Occupied West Bank (2015), paragraph 7, page 4

² According to OCHA Demolition Database for the period 1988-2015. Available at <http://data.ochaopt.org/demolitions/index.aspx?id=311650>

³ And 5.7%-6.6% in a high growth scenario

⁴ UNCT in the occupied Palestinian Territory (2017). "Gaza Ten Years Later". Available at https://unsco.unmissions.org/sites/default/files/gaza_10_years_later.pdf Accessed on 18 August 2017

⁵ UNCT in the occupied Palestinian Territory (2017). "Gaza Ten Years Later". Available at https://unsco.unmissions.org/sites/default/files/gaza_10_years_later.pdf Accessed on 18 August 2017

⁶ These reductions do not apply to services provided by UNRWA, where the teacher-student ratio has improved in recent years.

⁷ In the West Bank GDP growth rate was 0.8% as compared with 4.1% in Q1 of 2016.

⁸ A/HRC/34/39, paras. 10 and 11.

⁹ OCHA, 2017.

¹⁰ Some 55% percent of herders are food insecure, rendering it among the most vulnerable population.

¹¹ OCHA, August 2017.

¹² Secretary-General report A/HRC/34/39, para. 44, March 2017. OHCHR, August 2017.

¹³ See Secretary-General report A/HRC/34/39, para. 41.

¹⁴ The UNDAF (available at https://unsco.unmissions.org/sites/default/files/palestine_undaf_2018-2022.pdf) is configured around four core programming areas: (i) supporting Palestine's path to independence; (ii) supporting access to accountable, effective and responsive democratic governance; (iii) supporting sustainable and inclusive economic development; and (iv) promoting social development and protection.

¹⁵ UNDP/PAPP: "Three Years After the 2014 Gaza Hostilities. Beyond Survival: Challenges to Economic Recovery and Long Term Development", May 2017.