

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

Socioeconomic Report  
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## Disclaimer

This report of the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO) provides an analysis of socioeconomic conditions in the Occupied Palestinian Territory (OPT) as of October 2020, including the main threats to the socioeconomic development of the Palestinian people.

The report draws on a variety of sources, including original research; inputs from United Nations (UN) agencies, funds, and programs; and publicly available sources.

The UN Special Coordinator for the Middle East Peace Process provides monthly briefings 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, development, and humanitarian situation. UNSCO reports and briefings to the Security Council can be found at <https://unsco.unmissions.org/resources>.

## Contents

Disclaimer.....	2
Introduction .....	4
Political and regional developments.....	5
COVID-19: emergency and response .....	6
The socioeconomic impact of the COVID-19 emergency .....	7
Labor markets .....	7
Household welfare and food security.....	8
Education and distance learning.....	8
Women, youth, and other marginalized and vulnerable groups.....	9
The COVID-19 emergency in the Gaza Strip .....	9
Mitigation.....	10
For the Government of Israel.....	10
For the Palestinian Government.....	11
For the United Nations and international donors .....	11
Recovery and transformation .....	12
Market integration.....	12
Support to the microeconomy.....	12
Infrastructure .....	13
Modernizing the economic relationship.....	13
Conclusion.....	14

## Introduction

Throughout 2020, Palestinians suffered a rapid deterioration in their humanitarian and development situations. After early successes in reducing COVID-19 caseloads during spring and summer, August and September witnessed a sharp resurgence in cases in Israel and the OPT. Conditions in the Gaza Strip remain extraordinarily fragile, with severe movement and access restrictions, significantly worsening economic conditions and the ever-present threat of escalation and conflict. The viability of the Palestinian Authority and its institutions is also being undermined by a massive economic and fiscal crisis, exacerbated by the suspension of civilian and security coordination with Israel. At the same time, prospects for re-establishing credible negotiations with the goal of achieving a two-State solution remain distant. Put together, the dramatic events of 2020 have weakened Palestinian public services and hindered efforts to mitigate the impact of COVID-19 at a time when Palestinian households are struggling through a severe economic downturn. Despite a global mobilization around the COVID-19 response, international donor support to Palestinians has continued its long downward trend.

Of course, these recent developments come on top of the longstanding crisis in the OPT. Features of Israel's ongoing military occupation such as settlement expansion, significant movement restrictions as well as an increase in the demolition of Palestinian structures, continued during the period. Violence also continued to affect both Israelis and Palestinians. Despite discussions on the possible holding of long overdue elections, internal Palestinian political divisions persisted alongside continued militant activity in Gaza.

For over 25 years, the vast majority of Palestinians have believed that the peaceful pursuit of their right to self-determination, through negotiations, would resolve the conflict and end Israel's occupation in line with relevant United Nations resolutions, international law, and bilateral agreements.

Consistent with that goal, throughout this period and the past two decades, international partners and donors have invested substantially to ensure the efficient use of development assistance in support of Palestinian state-building and pursuit of a two-State solution. This process has delivered many successes towards creating the governance and economic conditions necessary for Palestinian statehood.

Yet these hard-won gains have not been matched by advances on the political front aimed at ending the conflict. Instead, we are again at a pivotal moment in the search for peace, as a convergence of destabilizing factors threatens to pull the parties further apart and to entrench a one-State reality of perpetual occupation and conflict.

The COVID-19 emergency has exposed the practical consequences of the deterioration of Israeli-Palestinian relations and the broader Middle East peace process. As noted in UNSCO's paper to the Ad-Hoc Liaison Committee in June 2020, Israelis and Palestinians themselves are best positioned to address these problems, and the parties can take immediate steps to improve the day-to-day lives of their citizens, even in the context of the COVID-19 pandemic. A fully re-engaged peace process that leads to an end of the occupation and a realization of a two-State solution is the best and perhaps only vehicle for ultimately addressing humanitarian needs, accelerating development, and building peace. However, in the absence of such a process, Israeli, Palestinian, and international actors can take practical steps and implement specific interventions to ease this crisis, some of which are highlighted below.

Readers seeking greater detail on the various political, human rights, protection, and humanitarian concerns during the reporting period are directed to other recurring publications and briefings by the United Nations. The most up-to-date information on political, human rights, and protection issues can be found in the monthly briefings to the UN Security Council ([found here](#)). The most recent humanitarian updates, including situation reports on the COVID-19 emergency, are made available by the Office for the Coordination of Humanitarian Affairs (OCHA) ([found here](#)). Despite the call of UN Secretary-General António Guterres for a global ceasefire, echoed in a joint statement by the five UN envoys in the Middle East, the parties have not engaged in substantive negotiations to resolve their protracted conflict nor has the pandemic halted the regular violation of international humanitarian and human rights laws.

## Political and regional developments

The dynamics of the Israeli-Palestinian conflict continued to evolve internationally, regionally, and domestically. In September and October, Bahrain, the United Arab Emirates, and Sudan have reached agreements with Israel that normalize relations between their countries, while Israel made a commitment to suspend its plans to annex parts of the occupied West Bank. The Secretary-General and many in the international community and the region expressed hope that these developments would encourage Palestinian and Israeli leaders to re-engage in meaningful negotiations toward a two-State solution as well as create opportunities for regional cooperation.

Both within the League of Arab States and individually, regional States have reaffirmed their support for the Arab Peace Initiative and for establishing an independent Palestinian State based on the 1967 lines with East Jerusalem as its capital. Key international stakeholders have also recommitted to a resolution of the conflict based on UN resolutions, international law, and previous agreements, including the so-called “Munich Group”—the Foreign Ministers of Egypt, France, Germany, and Jordan—which has called to restore hope in the peace process and resume negotiations on this basis. On 25 September, in his speech to the General Assembly, Palestinian President Mahmoud Abbas called for an international conference in early 2021.

Meanwhile, the situation on the ground continued to decline. Israeli settlement expansion in the occupied West Bank including East Jerusalem remains a pressing concern. On 14 and 15 October, after an eight-month hiatus, the High Planning Committee advanced some 5,000 housing units, 85 per cent of which are in settlements in outlying locations, deep inside the West Bank, in areas impeding the contiguity of a future Palestinian state. As clearly set out in UN resolution 2334 (2016), the establishment by Israel of settlements have no legal validity and constitute a flagrant violation under international law. A serious spike in demolitions and seizures of Palestinian-owned structures in the occupied West Bank, including East Jerusalem, has also been witnessed. During the reporting period, demolition rates reached their highest documented rate in the past four years.

Unfortunately, daily violence also continued throughout the OPT. Against the backdrop of the dire humanitarian, economic and political situation in Gaza, further entrenched by the closures and the COVID-19 crisis, Palestinian militants resumed launching incendiary balloons from Gaza towards Israel in August, sometimes escalating to rockets and mortars. Israel retaliated by striking targets in Gaza and temporarily tightening the closures and restrictions until a Qatar-mediated de-escalation arrangement was announced on 31 August, which provided significant assistance to Gaza. On 20 October, Israel Defense Forces announced the discovery of a tunnel leading from the southern Gaza Strip into Israeli territory; a brief exchange of rockets and missiles ensued over the following days. Settler-related violence has continued throughout the occupied West Bank, with a notable spike related to the seasonal olive harvest.

In a positive step towards intra-Palestinian unity, for the first time in nearly a decade, on 3 September the PLO Executive Committee held its first meeting together with the heads of all Palestinian factions. Speakers focused on the need to restore unity and reform the PLO. The meeting was preceded by bilateral discussions between Hamas and Fatah, which culminated in the 2 July joint press conference, where the parties agreed to set their differences aside to respond to challenges facing the Palestinian cause. Subsequent discussions between Fatah and Hamas led to in-principle understandings on holding the long-overdue general elections under a proportional representation system. While consultations with all factions are ongoing, significant differences remain. Legislative and presidential elections are critical for restoring belief in the democratic Palestinian leadership and institutions and for reuniting the West Bank and Gaza under a single, legitimate, democratic, national government.

The COVID-19 pandemic and the Palestinian financial crisis have profoundly impacted all aspects of Palestinian life. During this period, the Palestinian Government continued its policy of suspended civilian and security coordination with Israel, impeding their ability to respond to these crises. This has worsened the already dire humanitarian and economic situation in Gaza and the health and socio-economic situation in the occupied West Bank. The UN has been deeply engaged in efforts to mitigate the economic and humanitarian consequences. This includes the establishment of a UN logistics cluster to facilitate vital deliveries of humanitarian aid and related equipment, in addition to a patients-transfer arrangement brokered by the UN to facilitate access of Gaza patients to treatment in the West Bank and Israel. The PA's decision to stop accepting clearance revenues that Israel collects on its behalf has massively exacerbated the fiscal crisis, with the Palestinian Authority facing an 80 per cent reduction in revenues.

## COVID-19: emergency and response

After the COVID-19 pandemic arrived in February and March 2020, the Israeli and Palestinian Governments responded decisively and in a coordinated manner to limit the spread of the disease, closing schools and businesses, restricting the movements of most workers and families, and mobilizing their public health infrastructures. These interventions were initially successful, and the local caseload was far lower than in many comparison countries in the region and globally. However, after authorities loosened restrictions in early summer, COVID-19 cases began rapidly increasing in late June. According to figures from the World Health Organization, daily new cases in Israel recently peaked at 9,000 on 2 October. In the OPT, daily new cases peaked at 1,100 cases on 16 September. As of mid-October, new daily cases are again declining in both locations, trends that will hopefully continue.

In the face of this emergency, the United Nations, international partners and NGO's, have continued to deliver critical humanitarian and development assistance to the Palestinian people. In March 2020, the Humanitarian Country Team (HCT) prepared an Inter-Agency Response Plan, to support efforts by the Palestinian authorities to contain the pandemic. The initial financial request (US\$42.4 million), which covered interventions through the end of June, [was subsequently expanded](#) to cover needs until end December 2020, and now amounts to US\$72 million. The Humanitarian Coordinator recently requested an additional US\$5.75 million to cover supplies and interventions for the final months of 2020 for Gaza. Almost half of that amount will be allocated to scale up testing capacity, while the rest is aimed for case management equipment and items used for infection prevention and control.

On the development side, the UNCT published its [COVID-19 Development System Response Plan](#) in July 2020. The UNCT has begun implementing US\$140 million in COVID-19 development response programming to be delivered over the next 12 months. Approximately two-thirds of this amount is already funded through existing or reprogrammed resources. In addition to the US\$140 million in direct programming, the UNCT has also identified an additional US\$45 million in "scalable" support

programs for affected households and SMEs, comprising a portfolio of Cash for Work programs, Cash Transfer Programs, microfinance and revolving loan support, and direct support to smallholder agricultural producers. These support programs can be rapidly scaled up should additional donor support be forthcoming.

To date, [United Nations agencies and their partners](#) in the OPT have delivered over 95,000 COVID-19 PCR tests, advanced laboratory machines such as PCR devices, approximately 6 million items for infection protection and control, 20 oxygen concentrators, as well as other oxygen therapy machines. UN agencies and partners have also delivered 54 ventilators, 70 patient monitors, and 37 ICU beds and 86 other patient beds. Hundreds more case management items are in the logistics pipeline. In addition to increasing the availability of equipment and supplies for the health sector, the UN has supported several quarantine facilities in Gaza with non-food items; bolstered risk communication efforts; and supported capacity building relating to infection prevention and control for health professionals.

## The socioeconomic impact of the COVID-19 emergency

Eight months into the COVID-19 pandemic, its dramatic impact on Palestinian socioeconomic development has become clearer. Two key sources of information are newly-published official government statistics and a scientific survey by the Palestinian Central Bureau of Statistics, the results of which were released in October. This household survey was implemented with technical and financial support from the United Nations Country Team to assess the impact of the pandemic on the social and economic conditions of Palestinian households. We should note that these sources of information and the findings below do not fully capture the impact on East Jerusalem, which has been especially hard hit in the tourism sector.

### Labor markets

Official statistics paint a grim picture of the labor market impacts of the COVID-19 pandemic, in terms of employment, underemployment, and absenteeism. In the second quarter of 2020, during the first full lockdown, the number of employed Palestinians decreased by 121,000, a decline of 12 percent compared to the first quarter of 2020. In relative terms, the impact was greater among workers living in the Gaza Strip, where the number of employed individuals decreased 17 percent, compared to a decline of 10 percent in the West Bank. The COVID-19-related restrictions also disproportionately affected Palestinian workers in Israel and the settlements: the number of individuals employed in Israel and the settlements declined 22 percent, while in comparison the number of individuals employed in the local Palestinian labor markets declined 11 percent. Third-quarter labor market figures released on 9 November 2020 suggest that the easing of restrictions in the summer and fall has not generated anywhere near a full recovery. Only around one-third of the jobs lost during the spring have been replaced as of the end of September. As elsewhere around the world, there are real risks that the COVID-19 emergency has entrenched sharply reduced employment levels for the foreseeable future, despite the partial reopening of the economy.

During the lockdown, weak labor market conditions also affected Palestinians who maintained their employment: 30 percent of employed individuals were absent from their jobs during the second quarter of 2020, due to the COVID-19 emergency—approximately three times the rate of absenteeism from the first quarter of 2020. In raw figures, approximately 268,000 workers were absent from their jobs in the second quarter of 2020. In the third quarter, the figure was 119,000 absent workers, only a partial recovery.

As for unemployment by sex, the unemployment rate for males in Palestine reached 23 percent compared to 41 percent for females. The male participation rate decreased from 68 percent in the first quarter of 2020 to 61 percent in the second quarter 2020, and for females it decreased from 17 percent to 15 percent during the same period—both contractions of greater than 10 percent. While the male participation rate has recovered in the third quarter, the female participation rate has not, remaining at 15 percent.

### Household welfare and food security

The results of the UNCT-sponsored PCBS COVID-19 household survey are perhaps even more alarming. The first lockdown led to large declines in monthly household income from March to May 2020, in both the West Bank and Gaza Strip. In the West Bank, 46 percent of households reported losing more than half of their monthly income during this period, while an additional 31 percent reported a decline in income of less than half. In the Gaza Strip, 38 percent of households reported losing more than half of their monthly income during this period, and 31 percent reported losses up to half their income.

Job losses were disproportionately concentrated in the industrial and construction sectors. In the Gaza Strip, 33 percent of newly-idled workers came from the construction and industrial sectors, followed by 20 percent from the retail and wholesale sectors and 14 percent from the transportation and storage sectors. In the West Bank, 50 percent of the newly-idled workers came from the industrial and construction sectors, followed by 12 percent in the services sector.

The survey also indicated high rates of food insecurity among Palestinian households during the first lockdown period. In the Gaza Strip, 75 percent of households reported being unable to eat healthy and nutritious food because there was not enough money or other resources. Households in Gaza responded by limiting their variety of foods (76 percent), skipping a meal (61 percent), and eating less (58 percent). The food security situation in the West Bank was also concerning. During the lockdown, 28 percent of households in the West Bank were unable to eat healthy and nutritious foods due to lack of money or resources. Coping mechanisms again included limiting their variety of foods (45 percent), skipping a meal (28 percent), and eating less (26 percent). Food-insecure households—especially female headed households—often engage in a range of negative coping mechanisms that include accessing high-cost loans or cutting down on vital family activities.

### Education and distance learning

The COVID-19 emergency necessitated a massive reorientation toward distance learning methods across the Palestinian school systems, including UNRWA schools. Regrettably, the COVID-19 household survey suggests that participation rates were low. Among households with school-aged children, only about 43 percent of households in the Palestinian public-school system reported participating in any education or distance learning activities from March to May. Household satisfaction with distance learning was also notably low. In the West Bank, 42 percent of participating households reported their experience as “bad, did not serve its purpose”, and another 37 percent thought it served its purpose but could be improved. Only 22 percent were fully satisfied. In the Gaza Strip, 36 percent of participating households reported their experience as “bad, did not serve its purpose,” while 42 percent thought it served its purpose but could be improved. Female-headed households were significantly less satisfied with distance learning experience than households headed by men, perhaps because of female-headed households have fewer resources in general and fewer available care providers to share burdens. Urban, rural, and camp-dwelling households reported similar levels of satisfaction, as did refugee- and non-refugee-headed households.

Among non-participant households with school-aged children, by far the largest reported barrier to distance learning was the lack of internet access at home. Among households with students at UNRWA



schools, 68 percent cited a lack of internet access in the home as the primary reason for not participating in distance learning, while among public school households, the figure was lower, at 43 percent.

### Women, youth, and other marginalized and vulnerable groups

The COVID-19 emergency has increased the risk of human rights violations and further deteriorated the situation for marginalized and vulnerable groups such as women, children, and persons with disability. For instance, the poor with disabilities and the elderly poor are less likely to be able to afford care and support. Incidents of gender-based violence, including domestic violence, sexual abuse and forced marriage remain among key protection concerns, especially for women and girls both in the Gaza Strip and the West Bank. Incident rates are particularly high in vulnerable communities in Gaza, in East Jerusalem, refugee camps, Bedouin communities and in Area C, where government protection services have been suspended since the halt in PA coordination. They are also acute among vulnerable groups such as female farmers and heads of households.

In discussions with local stakeholders, it is clear that the COVID-19 emergency has exacerbated women and children's pre-existing vulnerabilities and put them at increased risk of various forms of violence. Lockdown measures, fears about the virus, and financial stresses have heightened household tensions; domestic violence has spiked as a result. Moreover, the COVID-19 outbreak has curtailed access to support services and created a significant response and capacity gap, including in psychological first aid, sheltering, legal and health services, especially within the government sector, and more broadly, in remote service provision.

### The COVID-19 emergency in the Gaza Strip

Since March, the Gaza Strip has been under public health restrictions of varying lengths and degrees. As in Israel and the West Bank, the *de facto* authorities in Gaza imposed a fairly thorough lockdown on social and economic activity in March and April. This was gradually loosened once it became clear that Gaza had been spared a sizeable outbreak. However, on 25 August, cases spiked and the *de facto* authorities re-imposed severe lockdown conditions for several weeks. Across 2020, social and economic activities inside Gaza have oscillated between lockdowns and more routine environments. With the caseload fluctuating, there is little understanding of how long or how completely restrictions must remain in place. Gaza now faces a protracted public health emergency, in addition to its longstanding humanitarian, development, human rights, and protection crises.

The humanitarian and socioeconomic situation in Gaza is rapidly collapsing under the weight of the pandemic. Economic activity and livelihoods are being severely damaged by, among other things, restrictions on the movement of people and goods into and out of Gaza, internal quarantines and safety measures, aid shortages, lack of demand for goods and services, and a liquidity crunch. The situation has been compounded by the escalations between Israel and armed groups in August and September, retaliatory Israeli airstrikes, and periodic banning for the entry of many critical materials including donor purchased fuel necessary for the operation of the Strip's only power plant. Due to its fiscal crisis, the Palestinian Authority has been unable to pay its full salaries for the months of May, June, July, August, and September. The PA's decision to cease coordination with Israel has also delayed critical assistance to Gaza.

Gaza's grinding economic collapse is reflected in several different measures. According to official government statistics, from the fourth quarter of 2019 through the second quarter of 2020, the unemployment rate in Gaza increased from 43 percent to 49 percent. At present, 44.4 percent of men

in the labor force are unemployed, as are 66 percent of women in the labor force. Between the first and second quarter of 2020, there were 42,900 fewer employed workers in Gaza, a decline of 17 percent. Moreover, an additional 59,500 Gaza workers were absent from their jobs in the second quarter of 2020, mostly due to the COVID-19 lockdown. At the end of the second quarter, out of a population of approximately 2,000,000 people in Gaza, only 176,200 men had employment and 28,800 women had full employment.

According to the COVID-19 household survey implemented by PCBS, only 19 percent of households in Gaza reported having enough resources to sustain their usual expenditures during the first full lockdown. We can expect that the second full lockdown is having similar negative impacts in Gaza, or worse, contributing to unsustainably high humanitarian needs, preventing sustainable development, and heightening the risks of conflict and instability.

## Mitigation

The United Nations Secretary-General has called for parties in conflict to build peace and increase cooperation given the COVID-19 emergency. In response to this call, and in the humanitarian context of the OPT, UNSCO urges the parties to agree on a common approach to mitigate and recover from the COVID-19 emergency, to agree to coordinate on the implementation of this approach, and to agree to avoid any unilateral actions that undermine it. Absent steps by the Government of Israel and a return to coordination by the Palestinian Government, international support alone is absolutely insufficient to mitigate the impact of the COVID-19 emergency on the Palestinian people and to lay the groundwork for a full recovery. The effectiveness of international support depends on a favorable context that will unlock longer-term and more transformative investments that reduce humanitarian need, accelerate development, and build peace.

UNSCO believes the following elements form the basis of a common approach to mitigate and recover from the COVID-19 emergency in the immediate and short term.

### For the Government of Israel

**Fiscal files:** The Government of Israel (GoI) should promptly implement measures on the outstanding fiscal files, in line with proposals from international partners and called for during successive meetings of the Ad-Hoc Liaison Committee. Initial steps could include excise-tax exemptions for fuel purchases, a resolution on the Allenby Bridge crossing exit fees and eliminating the 3-percent handling fee. Subsequent steps should include establishing an electronic system for the clearance of VAT, accelerating the transfer of deductions made from the salaries of Palestinian workers in Israel, and transferring customs authority to the PA.

**Fiscal backstop:** The GoI should ensure that the monthly transfer of revenues to the Palestinian Authority does not fall below 500 million shekels for the duration of the COVID-19 emergency, through loans on favorable terms and in line with previous agreements between the respective Ministries of Finance.

**Permits:** When health conditions allow, Israel should improve and enhance the crossings of Palestinian workers and traders into Israel. In the Gaza Strip, the GoI should increase the number of permitted traders and workers to 10,000. While taking the necessary security precautions, workers from the Gaza Strip should be able to remain in Israel or the West Bank, on similar protocols as workers entering Israel from the West Bank, including the regular transfer of wages by workers to families. For workers from both the West Bank and Gaza Strip, the GoI should fully implement its 2016 decision to end the

practice of binding Palestinian workers to the Israeli employers that obtained their permits, which creates a wholly unnecessary and expensive system of middle-men and brokerage fees.

**Dual-use list:** Short of ending the closure regime consistent with Security Council resolution 1860 (2009), Israel should build on its decision from late 2019 to remove certain types of cement from the “dual-use” import restrictions. This includes the immediate removal of restrictions on the entry of critical items to support the health, construction, and industrial sectors. Both parties should work through the Gaza Reconstruction Mechanism to examine further measures to increase the volume of “dual-use” materials allowed in Gaza.

**4G and ICT infrastructure:** To support distance learning and remote work, the GoI should implement a roll-out of the necessary infrastructure in the West Bank and at the perimeter of the Gaza Strip.

**Permits for development in Area C:** The GoI should adopt a flexible and timely policy towards planning and building rights of Palestinians in Area C to facilitate the development of adequate housing, infrastructure, and livelihoods, acting on the commitments laid out in the 1995 interim agreements and complying with Israel’s obligations under international humanitarian and human rights law as the occupying power.

### For the Palestinian Government

**Revenues:** The Palestinian Government should resume collecting its monthly revenues from Israeli authorities, repay loans issued by the Palestinian financial sector since the start of the COVID-19 pandemic, and restore Government salaries that were only partially paid over the past several months.

**Expenditures:** The Palestinian Government should align its planning and expenditures to recommendations made by the World Bank, UNSCO, and others to directly mitigate the impact of the COVID-19 emergency on socioeconomic development, including a single income-support scheme to vulnerable households, to which international donors can increase support. All forms of social protection payments could be folded into a simplified, more universal basic income program. The PA could, for example, roll its payments into a basic income support scheme, and score all households based on vulnerability, thereby minimizing the risk exposure of the Palestinian financial sector.

**Trade and Access:** The Palestinian Government should accelerate trade procedures with respect to the Gaza Strip, including fully engaging in the Gaza Reconstruction Mechanism, and should take steps to increase the trade volume between the Gaza Strip and the West Bank. Import and export permits should be processed without delay, particularly for firms in employment- and income-generating sectors, such as agriculture, construction, and industry. Moreover, the Government could support initiatives to improve the linkages of Palestinian producers with global value chains, and vigorously market Palestinian exports in the global marketplace.

### For the United Nations and international donors

**Support to health services:** The United Nations and partners will continue critical support to health services to Palestinians in the West Bank, including East Jerusalem, and the Gaza Strip.

**Support to the Palestinian Authority’s (PA) Socioeconomic Response Plan:** The United Nations will work closely with the PA to support its socioeconomic response plan, once completed, including on fundraising, technical assistance, and implementation.

**Job creation in the OPT with a focus on the Gaza Strip:** Contingent on donor support, the United Nations will scale up its ongoing job creation programs, including in the Gaza Strip where it aims to

provide jobs for around 20,000 workers for 12 months, with equitable distribution among male, female, youth, high-skill, and low-skill workers.

**Critical infrastructure:** The United Nations will accelerate support for critical infrastructure projects related to improving water and sanitation, health, and energy networks in the Gaza Strip, and infrastructure for public services and agriculture in Area C.

**Support to the private sector:** In partnership with donors, the United Nations will increase its support to small- and medium-sized enterprises and accelerate plans to refurbish and improve services at the Kerem Shalom crossing, the Gaza Industrial Estate, and industrial estates in the West Bank. These efforts should be supported by both the Israeli and Palestinian governments to increase the volume of trade between the Gaza Strip and the West Bank.

**Convening:** At the request of the parties, the United Nations can convene and/or support the Ministries of Finance or other authorities to promote improved economic relations and identify additional programmatic support necessary for the COVID-19 recovery.

**Resource mobilization:** The United Nations and its partners commit to significant resource mobilization efforts, further reorienting existing funding, and improving donor coordination.

## Recovery and transformation

While the short-term mitigation measures in the previous section would ease the socioeconomic crisis facing Palestinians, bolder steps are still needed. The parties should leverage the present crisis to reform their outdated economic model in a way that enhances the PA's institutional capacity and addresses the urgent humanitarian and development needs of the Palestinian people. Among the most urgent reforms and initiatives are related to fiscal matters, labor markets, trade, and investments in the Gaza Strip. Such interventions should include:

### Market integration

Local economies and Palestinian households would benefit from greater integration with internal, external, and financial markets. Greater market integration of trade in goods would mean increasing the volume of commerce between the West Bank and Gaza Strip and increasing the volume of trade with Israel, regional markets, and global markets. The parties should work to reduce frictions and barriers to trade in Palestinian goods, trade permits should be issued without delay, and a greater range of goods should enter and exit Gaza. Greater financial integration would also improve economic growth and increase household income. Currently, the financial systems in the Gaza Strip, the West Bank, and Israel are not fully linked, preventing access to local and global markets for goods and services. If re-establishing financial linkages is not currently feasible, then the authorities should at least find practical work-arounds for commercial traders and commuting workers who wish to transfer funds back to their families. The Israelis and Palestinians should also work to minimize threats to Palestinian banks' links to the global financial markets by resolving outstanding political disputes. Finally, there is a backlog of worn-out paper notes that need to be replaced in Gaza banks, a step which is critical for the local economy.

### Support to the microeconomy

Programs should target and improve the delivery of direct support to households, to workers, and to Palestinian enterprises. For example, given its existing cash-transfer programs and established financial and social protection infrastructures, including the postal banks, Palestine is well-placed to roll out a universal basic income support scheme. Such a program would be expensive, but would also

allow consolidating and rationalizing existing cash support programs. With respect to the Palestinian private sector, 88.6 percent of businesses in Palestine employing fewer than 5 people, of which 25 percent are women-owned. Micro-, small-, and medium-sized enterprises need immediate support to continue paying their workers and to access inputs for production to keep their business operating; interventions require significant contributions from the donor community that will help de-risk investments from the private sector. Finally, with respect to workers and job creation, initiatives should provide immediate job opportunities for professionals and skilled/unskilled workers, while improving their future employability through specialized and on-the-job training and experience building. Other initiatives could focus on supporting unemployed youth and professionals specialized in the field of creative industries, through job creation, including audio-visual and interactive media, visual arts and crafts, design and creative services, and the tourism industry and cultural heritage sector can be prepared to reopen when authorities ease public health restrictions. With needs increasing in many sectors, there is great potential for expansion.

### Infrastructure

Household income growth and job creation can be accelerated through development assistance to the agricultural, industrial, and construction sectors and through investments in critical infrastructure. Investments in the infrastructure in industrial zones—such as warehouses, water and sanitation, and ICT—combined with support in the form of business services—such as packaging, marketing, product and warehouse management, and logistics—is an effective way of creating jobs, while supporting longer-term economic recovery. The solar sector has particularly high social returns on investment. A major investment is required to make a meaningful shift to solar energy, but the full support from the Government of Israel is also essential for implementation of these projects especially in the West Bank. Infrastructure investments can also build a pandemic-resilient economy, allowing flexible work and school arrangements: the West Bank and Gaza Strip need 4G data coverage; students need internet-enabled tablets; and workers and SMEs need improved access to global electronic payments systems. Thousands of remote-work jobs could be created through better linkages to the global internet economy, including freelancing and offshoring. In Area C of the West Bank, access to land and natural resources would allow for the development of stronger and more resilient economic infrastructure including telecommunication networks, renewable energy technology, industrial parks among others.

### Modernizing the economic relationship

Finally, the Israelis and Palestinians must re-envision their economic and administrative relationships going forward. Among our interlocutors in Ramallah, an increasing number of voices reject a return to the *status quo ante*, even if Israeli and Palestinian coordination is restarted. The working relationships of the past few years are simply not delivering results for the Palestinian Authority or for the Palestinian people. Economic governance must reflect the situation on the ground and the reality that the global economic model in the 21<sup>st</sup> century will be one of increasing interdependence, as further emphasized by the wide reach and diverse impact of COVID-19 on the global economy. The benefits of a revised model would not only be humanitarian, economic, and developmental, but also political and strategic by reducing sources of tension, conflict, and grievance. Closer economic relations on a more equal footing would help build a sustainable peace.

A fully re-engaged and meaningful peace process is the best vehicle for such discussions. However, bilateral talks at the level of Ministries of Finance or through the Joint Economic Committee have proved fruitful in the past and could be restarted. It is therefore important for the international community to create favorable conditions for Israelis and Palestinians to engage in such discussions, including, where necessary, modernizing the provisions of the Paris Protocol, without necessarily

reopening or renegotiating the Protocol in its entirety. Such a process could, if requested by the parties, be supported and facilitated by the United Nations, working closely with our partners. Fundamentally, however, this decision is one for the parties to make themselves, and it requires the necessary political will.

## Conclusion

The international community has the collective responsibility to pursue concrete actions that will achieve the goal of a negotiated two-State solution. We must explore every opening, use every opportunity, and discuss every idea if we are to get out of the cycle of statements, preventive diplomacy and conflict management and work towards a real solution that is sustainable and in line with relevant UN resolutions.

The UN remains deeply committed to working with Israelis and Palestinians and with our international and regional partners to realize the objective of a lasting and just peace. As the Secretary-General has said, this goal can only be achieved through two states, Israel and Palestine, living side-by-side in peace and security. There is no other road to achieve this goal except through negotiations. There is no other framework except the one that Israelis and Palestinians together agree on.

In the absence of any progress towards resolving all final status issues, our preventive diplomacy efforts continue to play an integral role in helping ensure the Israeli-Palestinian conflict does not escalate further or get pulled into regional rivalries. The UN and partners stand ready to help the parties enhance and modernize their relationships with the aim of reviving negotiations.