



Assessment of the future humanitarian risks in the occupied Palestinian territory

11 April 2006

This paper examines the humanitarian risks in the West Bank and Gaza Strip in the coming months. It warns of an extremely bleak humanitarian situation for the Palestinian people.

The analysis has been organised according to three scenarios. Scenario 1 reflects the current situation. A more critical forecast is related to the withdrawal of funding to the Palestinian Authority (PA). This has prompted humanitarian agencies to initiate planning based on two further scenarios (2 and 3).

Scenario 1 The current situation follows patterns in recent months where restrictions on Palestinian movement and access to services continue and Israeli security measures have intensified. At the end of 2005, the UN and other humanitarian agencies launched a Consolidated Appeal for \$215m to meet emergency needs arising from this situation. For the first three months of this year, this Appeal has largely been under-funded – **funds received to date stand at 8%**.¹ Consequently agencies have not been able to implement many planned programmes.

Scenario 2 Israeli-enforced movement restrictions and security measures continue and the Palestinian Authority's (PA) budget and services are only partially funded.

Scenario 3 Continued movement restrictions and security measures and the PA budget and services are not funded at all.

Humanitarian Outlook

The current humanitarian emergency followed the outbreak of violence in September 2000 and is a result of restrictions on Palestinian freedom of movement, military operations, land confiscation and levelling and the construction of the Barrier. The Government of Israel (GoI) states that these measures were implemented to prevent militant attacks against its citizens.

A serious intensification of this situation is now possible following the victory of the Hamas party in the Palestinian Legislative Council elections held in January 2006.

The GoI has stopped handing over to the PA VAT and customs taxes that it collects on Palestinian goods on its behalf. Recently however, the GoI has announced that it would use a proportion of this money to pay for

electricity, water and fuel costs owed to Israeli companies. At the same time, Western donors signalled their intention to review their funding support to the PA – the nascent state structure they had supported with more than \$7 billion in aid since the Oslo Accords in 1993. Broadly, the PA's financial situation is summarised in the table below.

Each month PA requires (of which 60% is salaries to PA)	\$165 million
In 2005 the PA received:	
VAT and customs	\$60 million
Average donor payments	\$30 million
Internal other taxes	\$30 million
Note: The deficit of \$45 million was in part due to the increase of PA salaries announced in 2005.	

Unless this shortfall is made up on some other way, a functioning state apparatus risks being seriously undermined. Over 152,000 people are employed by the PA, their salaries support approximately one million people – or 25% of the Palestinian population. These people operate 62% of primary health clinics, all the major general hospitals bar one and 75% of primary and secondary schools.

Without PA salaries, poverty rates are predicted to increase sharply, conservatively, to 74%. Since 2000, poverty rates increased from 22% to 56%.² Palestinian Gross Domestic Product (GDP) growth is anticipated to drop to negative 25% in 2006 compared to 5% positive growth in 2005.

At the same time the non-payment of 70,000 armed PA security personnel could lead to a highly volatile security situation and in turn to a possible rise in criminality. The level of insecurity will in large part determine the depth of the humanitarian crisis and could undermine the humanitarian response. And, while this is likely to be most acutely felt in the West Bank and Gaza Strip, if past patterns are any indication, the violence may also spill over and be directed at Israel, including the targeting of Israeli civilians.

A much weakened PA raises the prospect of higher death rates through rising insecurity, crumbling health systems, public health threats emanating from the breakdown of utilities such as solid waste disposal and sewage services. There is also a risk of rising morbidity and malnutrition from the loss of livelihoods.

Unlike other humanitarian crises in the world that are notoriously difficult to predict, if PA funding is not forthcoming, many of the dimensions of this one are measurable in advance. Three key uncertainties will affect its acuteness: the degree to which the PA can access alternative funding sources, the way the PA prioritises its response and allocates available funds and, perhaps the biggest wild card, the extent of both external and internal insecurity.

The extent of the collapse should not be underestimated. The UN is in no position – in terms of mandate or capacity – to duplicate or replace the role of the PA or the quality and extent of its services. In any case, any step in this direction would require the concurrence by the PA.

The humanitarian response will depend on tools which, for the most part, are blunt instruments that focus on survival. As in other parts of the world, they include increased food aid and temporary job creation to ease poverty and the provision of emergency life saving medical supplies. This sort of intervention may slow a further downward spiralling of the situation but cannot completely eliminate the possibility of human suffering. In development terms, it would be a backwards step.

While some humanitarian lessons might apply from other failed states, such as in Africa, for the most part state services functioned at low levels. In the case of the oPt, the likely decline of services will be more acutely felt because it affects an urbanised, former middle income society with a highly developed system of service provision on which the population has come to heavily rely.

Under the Fourth Geneva Conventions, Israel as the occupying power bears the responsibility for the welfare of the Palestinian population. In recent years, international donors and the Palestinian Authority have in practical terms taken on this role. If the PA is unable to provide basic services to the Palestinian population and donors withhold assistance, the emphasis will shift back to Israel to resume its legal obligation.

Scenarios

Three possible future scenarios are outlined in the table below.

According to all three, the underlying factors behind the current crisis are intensifying – namely, Israel's restrictions on the freedom of movement, as a result of the Barrier and other measures that Israel states are important for its security. Scenario 1 assumes the same level of PA funding as in 2005. The humanitarian impact, therefore, is likely to broadly follow the patterns observed in the past five years, since 2000.

The analysis below focuses on the impact of Scenario 2 - current crisis and limited, erratic PA funding which presents an increased humanitarian risk. The same parameters apply to Scenario 3 (current crisis and no PA funding) but the impact is more dramatic and felt more quickly.

Assumptions	Scenario 1 – Current crisis and no abrupt change in PA funding	Scenario 2 – Current crisis plus limited erratic PA funding	Scenario 3 – Current crisis and no funds available for the PA
Aid to the PA	<ul style="list-style-type: none"> PA receives aid as in 2005 (approx. \$360ml) 	<ul style="list-style-type: none"> The PA receives limited funding (approx. \$230m) from Arab countries and most Western funding is withdrawn² Western donors identify alternative financing mechanisms separate from the PA.³ Donor contributions are delayed by banks' halting of transactions with the PA. The liquidation of PA assets and borrowing from banks is delayed. 	<ul style="list-style-type: none"> All aid to the PA is halted
Clearance revenue transfers from Israel	<ul style="list-style-type: none"> PA receives transfers as in 2005 (\$790m). 	<ul style="list-style-type: none"> The GoI suspends the transfer of revenues which it collects on behalf of the PA – a contravention of the 1994 Paris Protocol.⁴ 	<ul style="list-style-type: none"> As in Scenario 2
Insecurity	<ul style="list-style-type: none"> Israeli security measures continue to intensify e.g., search and arrest campaigns, internal closures, incursions, artillery shelling. The firing of homemade rockets from the Gaza Strip to targets inside Israel continues. The threat of suicide attacks continues. 	<p>In addition to the trends mentioned in Scenario 1:</p> <ul style="list-style-type: none"> Violence from unpaid security staff possibly increases Security possibly restricts the ability of international workers and organisations to function Violence is expected to be directed at Israel. 	<p>In addition to the trends mentioned in Scenario 2:</p> <ul style="list-style-type: none"> The PA loses control of security. Privatised security is offered by armed groups.
Trade and labour restrictions	<ul style="list-style-type: none"> Internal closures remain tight and possibly rise Restrictions on access to closed areas (e.g. Jordan Valley, Seam zone, East Jerusalem) continue. The trisection of the West Bank is maintained Permit regime is further tightened Gaza's crossings to Israel are further limited 	<p>In addition to the trends mentioned in Scenario 1:</p> <ul style="list-style-type: none"> Restrictions on workers through Karni and Erez crossings between the Gaza Strip and Israel continue and possibly tighten. Movement from the West Bank to Israel and Jerusalem deteriorates esp. with the Barrier's completion and the continued reduction of worker permits. 	<ul style="list-style-type: none"> As in Scenario 2
Investment in the domestic economy	<ul style="list-style-type: none"> The GDP does not experience the modest growth as in 2005 due to PA's unsustainable fiscal policy (down from 6.3 to 4.9%). Palestinian businesses are unable to market produce due to closures. 	<ul style="list-style-type: none"> GDP falls by 25% Local revenues decline to \$25m / month from \$35m. Entrepreneurs' savings are exhausted and private investors abroad turn away due to the uncertain environment. 	<ul style="list-style-type: none"> The economy slides into a collapse far worse than in Scenario 2.

Scenarios 2 and 3 spell a humanitarian effort that is likely to be less coordinated and possibly less effective without the centralised coordination function from the PA.

Humanitarian Impact

Scenario 2 potentially has at least five different effects on the humanitarian situation:

1. Sharp rise in unemployment: Increasing vulnerability, particularly in acute crisis areas

According to Scenario 2, unemployment is predicted to rise to 40% in 2006 and 47% by 2008 – according to the narrow definition, excluding discouraged workers.⁶ As of 10 April, the PA does not have the funds to pay salaries for March. These salaries are a significant component of the Palestinian economy:

- The PA employs more than 152,000 employees who support roughly 942,000 dependents – that is, one in four of the Palestinian population.⁷ In the Gaza Strip, 37% of all employment is from the PA (73,437 people) while in the West Bank the PA employs 70,328 people.⁸
- PA employees in the Gaza Strip earn considerably more than private sector workers (\$13 per day compared with \$8 per day).⁹ PA salaries have steadily increased while private sector wages have plummeted (from about \$11 per day – a large drop even without accounting for inflation and the rising cost of living).
- Approximately one-third of PA employees are women¹⁰ – a high proportion when considering that women make up about 14% of the labour force.¹¹ The loss of PA salaries will likely undermine women's incomes.
- The socio-economic situation will be most acute in the Gaza Strip and northern West Bank where dependency on PA salaries, unemployment and poverty are already at high levels. Unemployment could climb to 60% in the Gaza Strip, 50% in Salfit governorate and over 40% in Jenin, Tubas and Tulkarm governorates (Figure 1).¹²

2. Collapse of local economy and increased poverty

According to Scenario 2, Palestinian GDP growth is predicted to plummet – a function of Israel

withholding Palestinian tax transfers, limited donor assistance to the PA budget and the sharp contraction of the local economy leading to declining tax revenues.¹³ Real GDP per capita could decline by 27% (Figure 2).¹⁴

It is estimated that poverty would increase as some of those previously relatively well-off PA employees lose their incomes and can no longer support dependents. According to Scenario 2, poverty rises to 67% in 2006 and by 2008 reaches 74% (Figure 3).¹⁵

If unable to find alternative jobs and with savings increasingly depleted. Palestinians will grow poorer and rely increasingly on humanitarian assistance. Under this scenario their salaries would no longer be injected into the local economy detrimentally affecting other local private businesses.

3. Delivery of Humanitarian Services¹⁶

The PA provides the core services used by the bulk of the population.

Education:

The Ministry of Education (MoE) – 39,000 employees, with a wage bill is \$22.6m / month and its operating costs (including transfers such as subsidies and grants) total \$2.2m / month.¹⁷

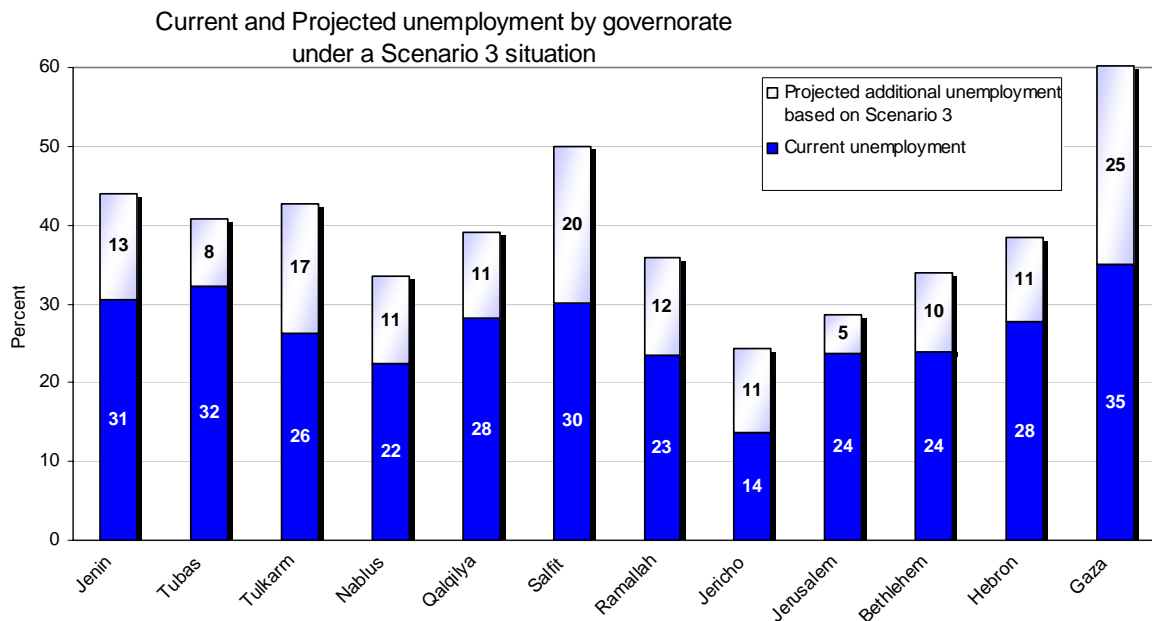
About 75% of the schools are operated by the PA with the remainder run by UNRWA and the private sector. UNRWA provides schooling to grade eight – children go to PA schools (or to private schools to a very limited extent) for the final year of primary school and for two years of secondary school.¹⁸

Health:

Ministry of Health (MoH) – 12,000 employees with a wage bill of \$8.8m / month plus operating costs, including transfers such as assistance and subsidies, of \$5.1m / month.¹⁹

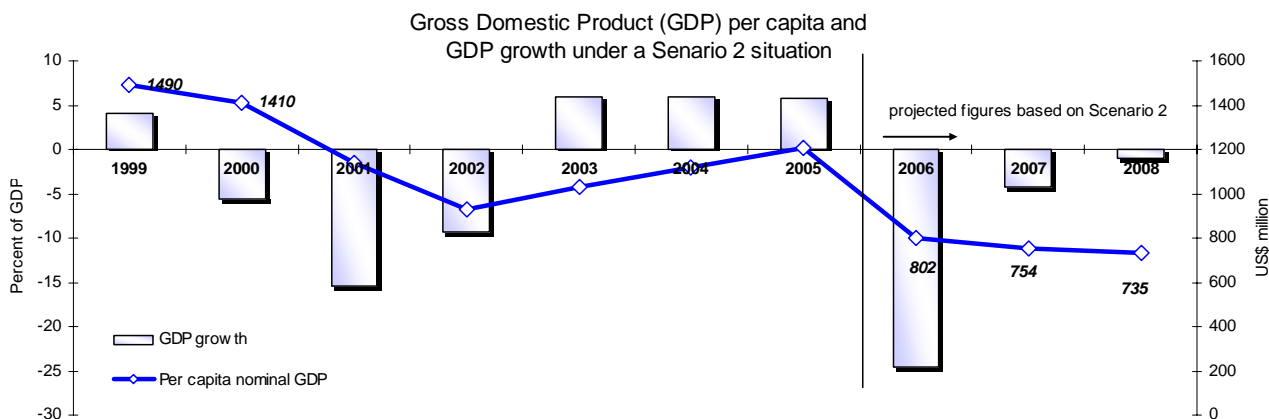
The MoH accounts for 62% of primary health clinics while NGOs and UNRWA account for 30% and 8.5% respectively.²⁰ Many geographical areas are not serviced by NGO clinics and some types of health services are not offered by NGOs such as radiology,

Figure 1



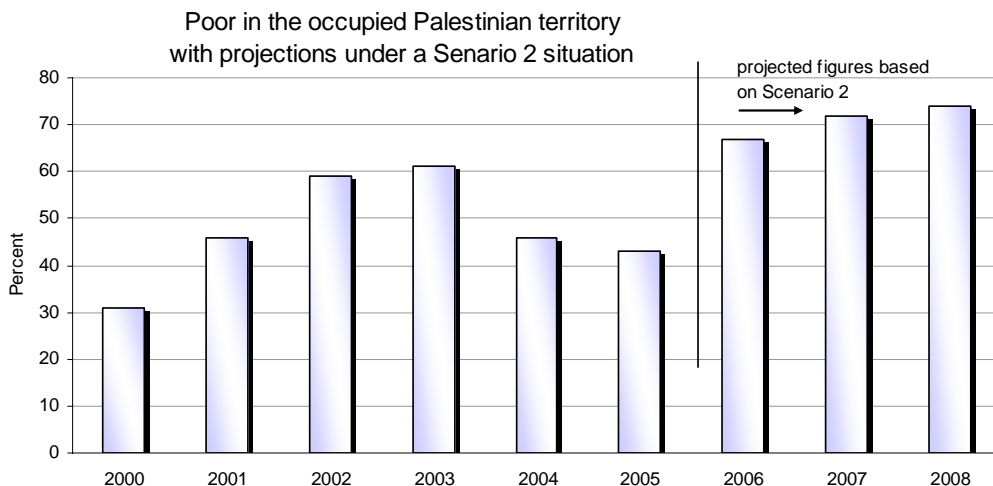
Data Source: OCHA calculations based on PCBS Labour Force Survey Data Q3 2005.

Figure 2



Data Source: 1999-2005 - IMF data, 2006-2008 projections World Bank.

Figure 3



Data Source: World Bank

or medical laboratory services. Many alternative funding channels are also politicised - NGO health services for example, often tend to be attached to a particular political party.²¹

The MoH runs 22 general hospitals while UNRWA runs one and NGOs run 12 smaller, specialised hospitals.²² The MoH is the central provider of a number of essential services, including all vaccinations.

Relief and social services:

The PA provides social and relief services to social hardship cases – families that are chronically unable to support themselves – and the families of the over 8,000 detainees in Israeli prisons. It provides pensions to retired employees. It also maintains public utilities such as refuse collection and water treatment.

The *Ministry of Labour and Social Affairs* has a wage bill of \$1.3m / month and plays an essential role as implementing partner for UN agencies in distributing humanitarian aid for unemployed and social hardship cases (at an operating cost of \$4.4m / month).²³ It distributes 65% of all WFP food to its social hardship cases. The remainder is channelled through NGOs.

The *Ministry of Prisoners' Affairs* has a wage bill of \$1.5m / month for its 344 employees²⁴ and plays an important humanitarian role by providing relief to the families of detainees in Israeli prisons, most of whom are women headed households with children (amounting to \$2.6m / month). These people would have no alternative income source were aid to be cut.

The PA provides pensions to the elderly who have retired from the public sector. As of December 2005, 9,800 Palestinians receive a pension from the PA budget (18% security and 82% civilian) accounting for \$5.2m / month.²⁵

Even if, as under Scenario 2, Western donors identify alternative channels through which to fund specific ministries / civil servants (e.g. health and education), essential government operations are likely to be disrupted. Public utilities – such as refuse disposal – could be erratic according to the payment of salaries. In the absence of funding and support, the effectiveness of PA institutions charged with the rule of law and administration of justice, could be undermined.

Some discouraged essential staff may leave the PA as a result of possible delayed and irregular salaries. Some PA employees could lose their jobs, particularly amongst the security forces.

4. External insecurity: An intensification of Israeli security and other measures

Israel has tightened its security measures since the beginning of 2006. These measures include the continued construction of the Barrier, an increased number of checkpoints and roadblocks and permit restrictions and military operations. These measures will impact the Palestinian economy. If internal insecurity increases, Israel is likely to respond with a further tightening of its security measures. These have included:

- An increase in Israeli incursions and military operations is anticipated.²⁶ The number of IDF search and arrest campaigns throughout the West Bank has increased by 53%.²⁷
- Internal closures are likely to continue to increase in line with recent trends (physical obstacles increased from 376 in August 2005 to 505 at the end of March 2006).²⁸
- Tighter restrictions on the movement of goods in and out of the Gaza Strip and West Bank could occur.²⁹

5. Rising internal insecurity

The security situation is worsening in the Gaza Strip, as indicated in Scenario 1. Rising violence might be directed against Israel as well as people and institutions within the oPt. If so, this would negatively affect the investment climate, further depress the Palestinian economy and make access for humanitarian operations more difficult.

- If on top of Scenario 1, funding to the PA is reduced or halted (Scenarios 2 and 3), the non-payment of security staff could increase the risk of criminality and factionalism that has been witnessed in recent months. Should this eventuate, it will affect UN relief operations. In recent months, the UN has temporarily evacuated staff from the West Bank and Gaza Strip on two separate occasions.³⁰
- Security forces make up almost half of all PA employees. It is estimated twice as many security

forces are employed in the Gaza Strip than the West Bank.³¹

Humanitarian Response

The UN agencies are assessing the additional humanitarian needs and agencies' capacities resulting from Scenarios 2 and 3. This has yet to be quantified in dollar terms. As new needs emerge, UN agencies will refine their interventions in coordination with other agencies and in line with UN policies and principles. The result of this will be the launching of a revised Appeal.

Nevertheless, it is clear that the UN and NGOs lack the capacity and mandates to take over service delivery from the PA, UNRWA, NGOs and the private sector can expand to a limited extent but they do not have the capacity to deliver these services universally. If funding for PA services is reduced, informal privatization could occur leading to the theft of governmental resources and the denial of the needy and marginalised of their rights to access essential services.

Although the UN and NGOs would scale up their humanitarian operations, they may not be able to meet the rapid increase in need particularly in the face of movement restrictions. Humanitarian assistance is already at high levels –approximately \$1.1 billion has been invested in humanitarian assistance since 2000.³²

Significantly more humanitarian aid will be needed to maintain the status quo situation if PA funding is reduced. The delivery of aid is likely to be more expensive due to the additional overhead/administrative costs of funding through multiple alternative smaller-scale sources. The effectiveness of the targeting of assistance will be reduced without coordination with the PA.

Guiding Principles and Criteria for Adjusting Humanitarian Interventions

In this shifting political environment, the UN will continue to provide humanitarian assistance on the basis of a universal set of principles guiding interventions: humanity, neutrality and impartiality,³³ with the consent of the affected government. Assistance will be provided in order to “save lives, alleviate suffering and maintain human dignity”.³⁴

The UN will address any newly-emerging humanitarian needs in the context of the Consolidated Appeals Process (CAP) on the basis of clear criteria guiding humanitarian interventions, including:

- Humanitarian assistance should be guided by need rather than political requirements according to the principle of impartiality.
- To be effective, projects in the current CAP or future expanded humanitarian interventions need to be implemented in coordination with local authorities. Humanitarian assistance is neutral, and humanitarian agencies should interact with all parties to ensure access and to negotiate conditions for delivery. Humanitarian assistance should be provided with the consent of the host authority.
- Humanitarian interventions should not cause irreversible changes to the PA over time. They should be time-bound and subject to regular review as the situation evolves.
- Barring a situation of collapse, humanitarian initiatives should not duplicate PA services. Humanitarian assistance should not replace the core public sector responsibilities such as ensuring the right to health care and education.
- Humanitarian intervention should be expanded to address the impact of increasing poverty and unemployment – for example, through employment generation and the provision of credit, so as to target the poorest and stimulate the local economy.
- Israel is reminded of its responsibility to provide or facilitate assistance to the Palestinian people and to transfer revenues to the PA.

¹ As reported by UN agencies and donors to the central Financial Tracking System based in OCHA Geneva.

² World Bank

³ For this scenario, the assumptions made by the World Bank according to their Scenario 4 in 'Economic Update and Potential Outlook' (15 March 2006, p. 4) are used. These are that budget support in 2006 is assumed to decrease from \$350m to \$300m (OECD contributions decline to \$120m while overall Gulf/Middle Eastern flows remain almost unchanged). In 2007 and 2008, budget support is assumed to total \$200m as OECD support is withheld. This assumption about future aid flows to the PA is considered conservative by the World Bank and the UN alike.

⁴ There is discussion among donors about the idea of setting up a new multi-donor trust fund to allow for coordinated funding for select parts of the PA's recurrent budget or alternatively, of modifying the existing World Bank-administered Reform Trust Fund to fund specific expenditures, including wages for active civil servants, social benefits and pensions to civilians and utility

bills. There has also been mention of channeling aid through the Palestine Liberation Organisation (PLO), focusing on providing aid to civil servants via the presidency and of reviving the World Bank Emergency Support Services Project (ESSP) which covers non-salary expenditures to the Ministries of Education, Health and Social Affairs.

However, these proposals do not address the issue of how to proceed with the security forces – paying salaries and other security service expenditures, intelligence services, training and pension payments and other transfers to existing or former security personnel.

⁵ Transfers from Israel amount to approximately USD 60 million per month make up roughly one third of PA revenues, while foreign aid and local revenues provide the two main other sources.

⁶ World Bank, 'Economic Update and Potential Outlook', March 15, 2006.

⁷ OCHA calculations based on PCBS Labour Force Survey (LFS) data and an additional 15,000 security forces employees recruited at the end of 2005.

⁸ This is according to PCBS LFS data for Q3 2005, and excludes the additional 15,000 employed in the security forces in Q4 2005.

⁹ OCHA calculations of the median wage according to sector of employment based on PCBS LFS data. This drop in private sector salaries is largely due to the loss of work in Israel.

¹⁰ Ministry of Finance (MoF) data

¹¹ PCBS Labour Force Survey data

¹² OCHA calculations based on PCBS Labour Force Survey data.

¹³ World Bank Scenario 4, Economic Update, 15 March 2006.

¹⁴ World Bank, Economic Update, March 15, 2006.

¹⁵ World Bank, Economic Update, March 15, 2006.

¹⁶ The information in this section comes from the MoF and the IMF unless otherwise stated.

¹⁷ MoF data

¹⁸ UNRWA has three vocational training colleges in the West Bank and one in the Gaza Strip.

¹⁹ MoF data

²⁰ MoH data

²¹ For example the major health NGOs are politically affiliated - Palestine Red Crescent Society to Fatah, Palestinian Medial Relief Society (previously UPMRC) to the Palestinian Popular Party, the Union of Health Care Committees to the Palestinian Democratic Front Party and the Union of Health Work Committees to the Palestinian Population Front Party.

²² PCBS, Health care providers and beneficiaries Survey, 2005.

²³ MoF data

²⁴ MoF data

²⁵ MoF data

²⁶ The number of Palestinian deaths has increased in the eight weeks following the PLC elections on 25 January compared with the eight weeks prior to the elections from 39 and 47. Palestinian injuries have also increased following the PLC elections from 229 and 341 over the same period.

²⁷ The number of search and arrest campaigns has increased from 433 to 664 while correspondingly the number of Palestinians arrested has increased from 702 to 884 in the period before and after the PLC elections.

²⁸ There is growing evidence to suggest that the IDF is enforcing the 'trisection' of the West Bank, as report in the OCHA's report, 'Closure Count and Analysis' (January 2006). Palestinians from Jenin continue to be denied access south to the middle areas (prevented from moving through Huwarra, Beit Iba and Za'atara checkpoints in and around Nablus). Further, the construction of the Barrier around Ma'ale Adumim settlement and the resumption

of construction of the border police station in the E1 development plan suggest a second splitting of the West Bank east of Jerusalem and towards the Jordan Valley.

²⁹ In 2006 to date, Karni crossing has faced severe closure. As of 11 April, the Israeli authorities have closed Karni for 53 days in 2006, or 57% of the year. The closure of the crossing has led to the unavailability of basic food commodities including wheatflour (used to make bread), dairy products and fruit. It has also had a heavy toll on the domestic economy. The closure of the crossing since the PLC elections has come at the peak of the agricultural season in the Gaza Strip and has resulted in vast quantities of vegetables rotting or flooding the local market in the Gaza Strip. The Palestinian Economic Development Company (PEDC), responsible for the cultivation of agricultural produce in the former settlement areas now has lost export revenues for 2006 that exceed \$6.4 million.

³⁰ Following the cartoon controversy in early February, there were kidnapping threats and threats to harm Scandinavians; the Norwegian and Danish representative offices in the West Bank were closed; there were demonstrations and vandalism towards the EU office and the French cultural centre in the Gaza Strip. Scandinavian and Norwegian staff from UN agencies were evacuated from the Gaza Strip and parts of the West Bank.

Following the raid by the IDF of the Palestinian-operated prison in Jericho on 14 March, nine internationals were kidnapped in the Gaza Strip and one in the West Bank. In the Gaza Strip, hand grenades were thrown at the EU and UNDP offices; the AmidEast office was stoned and the international school was stormed with the result that international teachers were kidnapped and injured. In the West Bank town of Ramallah, the British Council building was torched. Demonstrations took place throughout the West Bank and Gaza Strip and a protest took place in front of ICRC office in East Jerusalem. The UN temporarily evacuated all international staff from the Gaza Strip and the West Bank.

³¹ OCHA calculations based on PCBS and security force data.

³² Some 1.48 million Palestinians receive food aid through UNRWA and WFP. If PA salaries are cut, humanitarian need will be created among an additional one million who are currently considered relatively well-off and are not receiving assistance. As a result, approximately 65% of the Palestinian population would need food aid – requiring an almost doubling of food aid. Under current Israeli movement restrictions, it is questionable whether the UN and NGOs have the needed delivery capacity.

³³ UN General Assembly Resolution 46/182 (1991).

³⁴ Principles and Good Practice of Humanitarian Donorship, June 2003.