96601

The World Bank
www.worldbank.org/ps

Economic Monitoring Report to the Ad Hoc Liaison Committee

May 27, 2015

The World Bank
www.worldbank.org/ps

Economic Monitoring Report to the Ad Hoc Liaison Committee

May 27, 2015

Table of Contents

List of Tables

List of Figures

Acronyms

AHLC	Ad Hoc Liaison Committee
CoLA	Cost of Living Allowance
DNA	Damage and Needs Assessment
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoI	Government of Israel
IEC	Israel Electric Corporation
MoF	Ministry of Finance
MoH	Ministry of Health
MoSA	Ministry of Social Affairs
NCTP	National Cash Transfer Program
NIS	New Israeli Shekels
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PMA	Palestine Monetary Authority
Q	Quarter of the Year
SME	Small and Medium Enterprises
USD	United States Dollar
VAT	Value Added Tax
WB&G	West Bank and Gaza

Executive Summary

This report covers two distinct subjects. Chapter I of the report, as has been the norm with the World Bank AHLC reports, focuses on the assessment of recent macroeconomic and fiscal developments and government policies in West Bank and Gaza. Chapter II presents an analysis of Gaza's stark economic decline over the past 20 years and its human impact. It also presents a mix of policies that should ensure sustainable development of the Gaza strip and put an end to human suffering therein. The report also contains an annex which provides an overview of progress in meeting the pledges made for Gaza's reconstruction at the October 2014 Cairo Conference. Although the connection between the chapters of this report may not be obvious as they treat a diverse set of issues facing the Palestinian economy and public finances, together they provide insights into key policy and institutional development actions and reforms, which need to be taken by the Palestinian Authority, the Government of Israel, and the donor community to reverse the recent and worrisome slowdown in economic growth, to enable effective and efficient management of public finances in order to avoid a dangerous fiscal crisis and to support inclusive economic growth and poverty reduction.

1. Palestinian Economy and Public Finances

Despite surprisingly strong economic growth in the West Bank in 2014, the war in Gaza has had a devastating impact on the Palestinian economy, resulting in overall negative growth. Strong growth in private consumption, fueled by bank borrowing, and net exports were the drivers behind a remarkably strong growth of five percent in the West Bank. On the other hand, the closure of tunnels with Egypt and in particular the 2014 summer war shaved some USD460 million off Gaza's economy, leading to a 15 percent contraction of its GDP. Overall the Palestinian economy contracted three percent in 2014 on a per capita basis.

Unemployment and poverty increased markedly. In Gaza, yearly average unemployment increased by as much as 11 percentage points to reach 43 percent in the fourth quarter of 2014—probably the highest in the world--and that in the West Bank dropped by 1 percentage point. In Gaza, the poverty rate reached 39 percent and with poverty in the West Bank at 16 percent, the aggregate poverty rate amounted to 25 percent.[1]

Remarkably, the fiscal deficit of the Palestinian Authority was reduced in 2014, but the increase in expenditures is of concern. Thanks to strong revenue performance, with clearance revenue growth of 20 percent, largely driven by the growth in fuel imports into Gaza from Israel and growth in registered imports from third countries, the PA managed to reduce its fiscal deficit by one percentage point of GDP. Nevertheless, the growth in government recurrent expenditures of 9 percent was large and unsustainable; growth in the government wage bill and net lending are of particular concern.

Against the backdrop of a sluggish reconstruction process in Gaza, the instability of clearance revenues, and high political uncertainty the economic outlook remains bleak. With the reopening of businesses following last year's war and the reconstruction process, Gaza's real GDP is expected to grow at 7 percent, while meager one percent growth is expected in the West Bank due to the reduction in consumption activity as well as the liquidity and confidence effects of Israel's withholding of the clearance revenue during the first four months of 2015.

1 World Bank estimates.

2. The Destruction of Gaza's Economy, Human Consequences, and the Way Forward

Tremendously damaged by repeated armed conflicts, the blockade and internal divide, Gaza's economy has been reduced to a fraction of its estimated potential.[2] Gaza's economic performance over this period has been roughly 250 percent worse than that of any relevant comparators, including that of the West Bank, whose growth performance has been close to average despite the restrictions on movement and access imposed by the Government of Israel, which present binding constraints to growth.[3] Real per capita income is 31 percent lower in Gaza than it was 20 years ago and the difference in per capita income with West Bank increased from 14 percent to 141 percent over this period in favor of the West Bank. Its manufacturing sector—once significant—has shrunk by as much as 60 percent in real terms. Gaza's exports virtually disappeared since the imposition of the 2007 blockade. There are no other variables that could explain these developments other than war and the blockade. The impact of the blockade imposed in 2007 was particularly devastating, with GDP losses caused by the blockade estimated at above 50 percent and large welfare losses.

The human costs of Gaza's economic malaise are enormous. As mentioned above, if it were compared to that of other economies, unemployment in Gaza would be the highest in the world. Poverty in Gaza is also very high. This is despite the fact that nearly 80 percent of Gaza's residents receive some aid. These numbers, however, fail to portray the degree of suffering of Gaza's citizens due to poor electricity and water/sewerage availability, war-related psychological trauma, limited movement, and other adverse effects of wars and the blockade.

To reduce the human hardship and increase the prospects for peace, Gaza's economy has to be rebuilt. This, above all requires a unified Palestinian government in both West Bank and Gaza which can be a partner to multilateral and bilateral donors and substantial donor support to rebuild Gaza's infrastructure and homes, and it requires the lifting of the blockade on the movement of goods and people to allow Gaza's tradable sectors to recover.

Finally, it is noteworthy that good progress has been made so far to fulfill donor pledges for Gaza reconstruction, but it has to continue and—most importantly—solutions have to be found to enable faster inflow of construction materials into Gaza. By mid-April, almost USD1 billion of the USD3.5 billion pledged for Gaza reconstruction and recovery at the October 2014 Cairo conference have been allocated by donors. The reconstruction and recovery process will require that all donors fulfill their pledges. However, currently the binding constraint on Gaza's recovery is not financing, but the limitations on imports of construction materials into Gaza.[4] Therefore, taking into account legitimate security concerns of neighboring countries, ways have to be found to drastically improve access to construction materials in Gaza.

---

2 Following the electoral victory of Hamas in the Palestinian national elections in 2006 and Hamas' takeover of Gaza following violence, Israel has imposed a blockade on Gaza that severely limits the movement of goods and people in an out.

3 As the World Bank's 2013 study, "Area C and the Future of the Palestinian Economy" shows only restrictions on access to Area C, which comprises 61 percent of the West Bank's territory reduce the Palestinian GDP by up to 35 percent.

4 According to the Government of Israel, the restrictions are in place due to Israel's legitimate security concerns.

I. Recent Developments

Economic Growth

1. ***The Palestinian economy fell into recession in 2014 for the first time since 2006 following a sharp economic contraction in Gaza.*** Preliminary estimates indicate that the Palestinian economy shrank by 0.4 percent in 2014 due to a strong contraction of nearly 15 percent in Gaza's real Gross Domestic Product (GDP), primarily as a result of the war that extended over 52 days during the third quarter of 2014. Notably, the Gaza economy was struggling even before the onset of the war. The decline started in late 2013 when the majority of the illegal trade tunnels connecting Gaza to Egypt were destroyed. These tunnels served as a key feeder to Gaza's construction sector which, together with internal trade, was the main contributor to growth and employment in recent years. In addition, the breakdown of tunnel trade prevented the *de facto* government from raising adequate revenues to pay salaries to its 70 thousand employees for over a year, which used to be an important injection into Gaza's constrained economy.

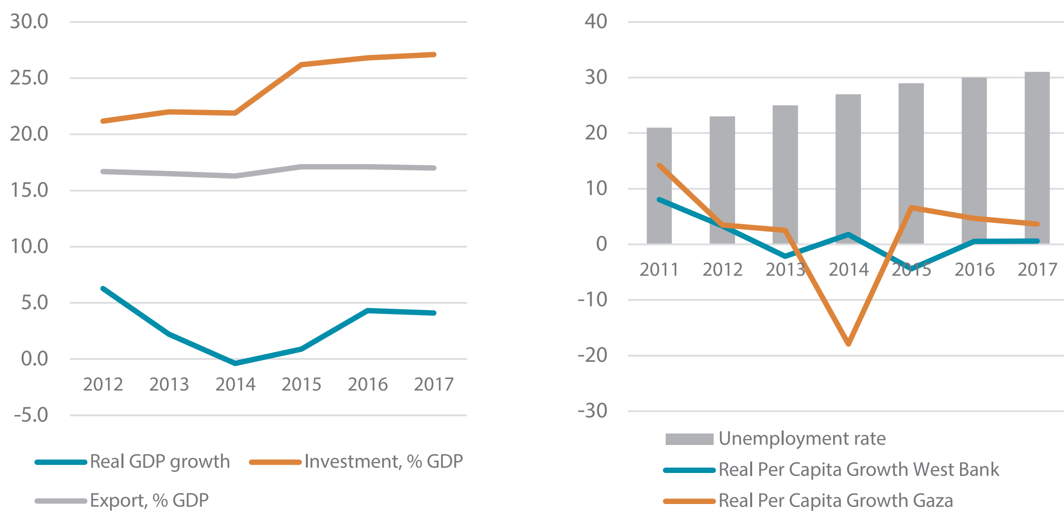
2. ***The 2014 war has had a devastating impact on Gaza's economy.*** It is estimated that it has shaved USD460 million off the Strip's output. Economic activity in the private sector virtually stopped throughout the war's duration as many enterprises were partially or fully destroyed, resulting in the loss of economic capacity that will persist for some time. For instance, the Ministry of National economy reports that 963 enterprises in the manufacturing sector were hit during the war reducing its output by 28 percent in 2014 compared to the previous year. Agriculture also suffered as a large part of Gaza's farms and arable land were ruined by military activity or eaten up by the enlarged security buffer zone that was established near the border during the war, and hence its 2014 output declined by 31 percent, year-on-year. Construction activity came to a complete halt during the war, and lack of building materials as a result of the ongoing Israeli blockade and the closure of the illegal tunnels with Egypt continues to be a major challenge for this sector. Gaza's infrastructure including roads, water and electricity networks also suffered significant damages estimated at about USD400 million, which has had a significant spillover effect on most economic sectors in Gaza.

3. ***On the other hand, the West Bank economy expanded in 2014.*** It is estimated that real growth in the West Bank exceeded 5 percent and it was mainly driven by exports and private consumption fueled by bank loans. According to the Palestine Central Bureau of Statistics, export growth in 2014 is mainly due to a sharp increase in exports of olive oil and medical herbs, particularly to countries other than Israel. Hence, the agriculture sector's output grew by 3 percent in 2014. Retail and whole sale trade, real estate activities and public services continue to be amongst the main contributors to growth on the supply side. The manufacturing sector, on the other hand, continues to be restrained by the ongoing Israeli restrictions and hence, it contracted by 5 percent in 2014.

4. ***The economic decline has had a severe impact on the livelihoods of Palestinians, particularly in Gaza.*** On a per capita basis, the Palestinian economy is estimated to have declined by 3 percent in 2014. Overall unemployment increased to 27 percent. It amounted to 43 percent in Gaza and 17 percent in the West Bank. Notably, yearly average unemployment in Gaza increased by 11 percentage points in 2015. Particularly alarming is youth unemployment in Gaza which soared to more than 60 percent by the end of 2014 – the highest in the region.

5. **Preliminary Bank estimates suggest that poverty in the Palestinian territories reached 25 percent in 2014**. The overall rate, however, masks wide regional divergence. Poverty in Gaza was 39 percent which is almost 2.5 times higher than that in the West Bank at 16 percent in 2014. And, according to the United Nation's Relief and Works Agency (UNRWA), almost 80 percent of Gaza's population is currently aid dependent. The stark regional divergence in the poverty incidence between the West Bank and Gaza started after the severe economic shock that hit Gaza in 2006/7, when the Israeli blockade was imposed, and that led to a dramatic 20 percentage point poverty increase in the Strip.

Figure 1: Recent trends and projections in growth and unemployment in the Palestinian territories



Source: Palestine Central Bureau of Statistics, IMF and WB staff projections

6. ***Inflation in the Palestinian territories is largely determined by Israeli inflation and remains contained****.* In 2014, inflation stayed at the 2013 level averaging 1.7 percent. In the West Bank it was 1.2 percent while it was higher in Gaza at 2.85 percent. Prices in Gaza started to rise following the crackdown of the tunnels with Egypt in the summer of 2013, as access to cheaper Egyptian fuel, construction material and other commercial goods significantly deteriorated.

7. ***Even though the trade deficit widened in 2014, the Current Account deficit (CAD) dropped due to a significant increase in current transfers.*** Despite an increase in exports, the chronically large trade deficit further widened as a percentage of GDP in 2014 due to a sharp growth in imports. Nevertheless, the CAD declined by more than 8 percentage points and reached 11 percent of GDP in 2014 mainly as a result of a significant increase in current transfers. Growth in current transfers in 2014 was driven by an increase of official aid inflows into Gaza, according to the Palestine Central Bureau of Statistics (PCBS). Income receipts also slightly grew due to an increase in compensation of employees working in Israel.

Public Finance

8. ***The PA managed to reduce its recurrent deficit in 2014 mainly due to strong clearance revenues[5] while domestic revenues performed worse than expected and expenditures increased by 9 percent compared to the previous year.*** The PA's recurrent deficit was reduced by about 1 percentage point of GDP in 2014, which is a good achievement given the economic and political situation. Nevertheless, fiscal pressures continue to be high and this is particularly reflected in the growth of the wage bill and net lending. In 2015, the withholding of clearance revenues by the GoI through April have significantly worsened the fiscal difficulties.

9. ***The performance of clearance revenues was impressive in 2014***. They grew by more than 20 percent (year-on-year) and exceeded their budget target by 12 percent. This is mainly due to higher collections from customs, VAT and petroleum excise which grew by 22, 13 and 26 percent, respectively, in 2014 relative to the previous year. The increase in clearance revenues is partly attributed to larger imports of Israeli fuel into Gaza as access to the cheaper Egyptian fuel was interrupted following the closure of the tunnel trade. Another key contributor to the growth of clearance revenues is an increase in non-Israeli imports, which increase custom tariff revenues and which grew by 19 percent in 2014 compared to the previous year.[6]

10. ***On the other hand, domestic revenues stagnated even though the economy of the West Bank- where the majority of these revenues are generated- expanded in 2014***. Domestic tax collections in 2014 were very close to their 2013 level. Growth in VAT receipts was offset by a strong decline in collections from income tax and excise on tobacco by 4 and 38 percent, respectively. Efforts so far conducted by the Ministry of Finance (MoF) to strengthen revenue performance and increase the number of taxpayers are commendable, but more needs to be done since only 30 percent of the potential tax base is covered. The focus should be on increasing the number of files in the Large Taxpayers Unit (LTU) and on strengthening tax enforcement and imposing financial penalties on evaders. The MoF should also work on strengthening procedures and practices in audit as well as developing a simplified tax regime for SMEs. Notably, the decision by the MoF to cancel the capital gains tax and freeze the 10 percent dividend tax is disappointing, particularly as the latter was passed as part of the Revenue Action Plan 2014-16 to mobilize previously untapped sources of revenue. Furthermore, even though it will not apply to large monopolies such as telecoms, the recent Cabinet decision to reduce corporate income tax from 20 to 15 percent and increase the ceiling for the exempted tax bracket from NIS30 thousand to NIS36 thousand is expected to reduce domestic revenue collections, particularly in the short term until this loss is compensated for by an expansion in the tax base. In addition to the West Bank, efforts to enhance revenue collection from Gaza will need to be pursued once governance arrangements over the territory are clarified. World Bank estimates show that yearly revenues from Gaza, including domestic taxes and import duties, could amount to USD350-400 million, which will increase the share of PA revenues in the economy from about 22 percent of GDP to 25 percent.

11. ***Aided by lower oil prices, fuel subsidies provided as tax refunds also declined in 2014***. The monthly average of these subsidies was reduced to about USD12 million down from USD17 million in 2013. Nevertheless, these subsidies remain a source of inefficiency in the PA's budget and they should be fully eliminated. International experience shows that fuel subsidies

5 Clearance revenues are VAT and import duties collected by the GoI on behalf of the PA and remitted on a monthly basis. Before remitting these revenues, the GoI makes deductions to clear debt owed by the PA for electricity, water, sewage and health referrals to Israeli hospitals. It also deducts a 3 percent administrative fee.

6 Part of the growth in clearance revenues may not be due to a real increase in the volume of imports, but due to the PA's efforts in combating under invoicing through tax cooperation with GoI.

not only have distortionary effects on economic activity, but they also disproportionally benefit better-off segments of the population. The World Bank therefore recommends that funds currently spent on fuel subsidies be gradually shifted to the PA's well-targeted cash transfer system which is a more effective mechanism to offset the impact of any cost of living increase on the living standards of the poor.

12. ***Wage bill growth was high in 2014***. The wage bill represents more than half of recurrent spending and increased by 6 percent in 2014, slightly exceeding its budget target -- despite a delay in allowances. While the 2014 budget included a 1.75 percent Cost of Living Allowance (CoLA), half of this amount was actually disbursed and only in some months of the year. Savings that resulted from lower than budgeted CoLA were offset by a breach in the zero net hiring policy that was assumed by the Budget. Figures provided by the MoF indicate that the number of PA employees increased by 1,296 on a net basis in 2014. The net increase in staffing took place in the West Bank and mostly in the military sector, which raises sustainability as well as efficiency concerns given that the sector is already large by international standards and suffers from significant grade inflation.

13. ***In addition, spending on goods and services was significantly higher than expected in 2014 mostly due to higher spending in the health sector***. The exact reason for growth in spending on goods and services is not known, but the increase was mostly in the health sector wherein the cost of health referrals has been a concern for years. Referral expenditures increased from USD8 million in 2000 to more than USD144 million in 2013 (latest available yearly data). The MoH has taken several measures to reduce referrals including the establishment of specialized committees in charge of reviewing and approving referral cases. In addition, a consolidated Health Information System that covers referrals, billing and health insurance has been constructed with support from USAID. The MoH has also focused recent efforts on reducing the cost of referrals to Israeli hospitals where the highest unit price is charged.[7] As a result, the MoH reports that the cost of referrals to Israel between January and March 2015 was reduced by USD4 million compared to the same period in 2014. These efforts are commendable; however, reforming the generous Health Insurance System, which is the primary source of hemorrhage, should also be a priority. In its current status, the Health Insurance System allows individuals to gain access to health services through paying a minimal yearly registration fee that grants them immediate access to the referral system. This creates a large imbalance between the system's revenues and its expenditures and ultimately places a strain on the overall public health system.

14. ***Net lending, which mainly represents payments to Israel for electricity, continues to form a major drag on the PA's budget***. In 2014, it was 35 percent higher than the previous year and ran 70 percent above its budget target. The major cause of net lending is that funds collected from consumers through electricity bills are used by Local Government Units to finance expenditures rather than pay bills to the Israeli Electricity Company (IEC) -- the main electricity supplier. A share of the unpaid amount is deducted by Israel from the PA's clearance revenues, and is called net lending. The rest accumulates as debt which, according to IEC, stood at about USD0.5 billion as of March 2015.[8] Revenues from electricity are in fact being used as an indirect intergovernmental fiscal transfers, and while transfers from the PA to

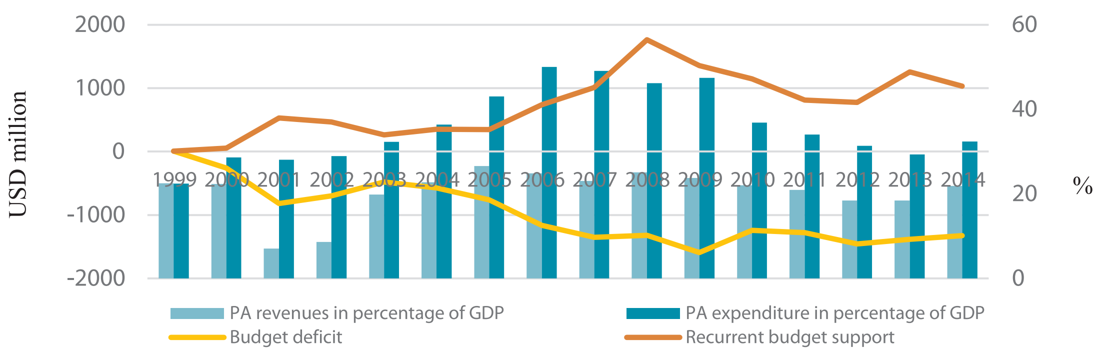
7 For instance, the MoH has already negotiated the price list of services provided with several major Israeli hospitals. It was also agreed with these hospitals that invoices will be audited and scrutinized by the MoH before any deductions are made from clearance revenues to cover the cost.

8 The PA disputes this figure because it states that a large part of the debt is owed by the Jerusalem District Electricity Company (JDECO) which is a privately owned company registered in East Jerusalem, and hence its debt should not be deducted from public money. The GoI has so far rejected the PA's claim.

local governments are needed, they should be direct, equitable and transparent. It is therefore important that, in addition to efforts to improve bill collections and reduce technical losses, the PA reforms the currently distorted intergovernmental fiscal transfers system in order to reduce and ultimately eliminate net lending. The PA has already taken some steps to address this issue including passing a resolution that prevents municipalities from using electricity fees to finance their expenditures, which will hopefully bind municipalities to transfer collected fees to the IEC. In late 2014, the Cabinet also passed another resolution on the reconciliation of debt between the Palestinian MoF and some of the electricity providers. Other actions were also taken to increase the collection rate including a resolution preventing consumers from obtaining access to some public services, including renewing a driver's license, applying for a visa, and obtaining travel permission, if they have accumulated unpaid bills. Furthermore, the Palestinian MoF and the Palestinian Electricity Transmission company (PETL) are negotiating a Power Purchase Agreement with the Israeli MoF and IEC.

15. ***The PA relied on arrears as a major source of financing in 2014.*** The PA's total deficit amounted to USD1.59 billion in 2014 while aid received was USD1.23 billion, resulting in a financing gap of USD357 million. Net accumulation of arrears amounted to USD497 million – more than what was needed to close the financing gap. Around USD106 million of these arrears are to the private sector[9] while the majority of the rest is to the pension fund. Excess financing enabled the PA to reduce its net domestic bank financing by more than USD140 million in 2014.

Figure 2: After a decline in recent years, PA expenditures as a share of GDP increased in 2014



Source: PA MoF

Fiscal performance: Q1 2015

16. ***The PA did a commendable job managing the acute fiscal crisis due to the Israeli decision to withhold clearance revenues in Q1 2015***. Clearance revenues represent 70 percent of total revenues and they cover about 50 percent of spending. The GoI withheld clearance revenues for December (2014), January, February and March (2015), and on April 21 it released these funds after deducting USD167 million to clear debt owed by the PA for electricity, water, sewage and health referrals to Israeli hospitals. The PA contests these deductions particularly the USD61 million deducted from February revenues to clear electricity debt because it states that the majority of this debt is owed by the Jerusalem District Electricity Company (JDECO) which is privately owned, and hence the debt should not be deducted from public funds. Due to the liquidity strain caused by clearance revenue suspension, the Palestinian Authority only

9 Even though arrears to some private sector suppliers were repaid, a larger amount was accumulated which resulted in a net increase in private sector arrears in 2014.

paid 60 percent of staff salaries (with a minimum of NIS2000) during the first three months of 2015, while delaying most other expenditures and accruing NIS1.85 billion in arrears to the pension system and the private sector. Partial salaries were paid with local revenues, aid and credit from local banks. As a result, the PA had to increase its domestic borrowing by NIS809 million, leading to a total stock of domestic debt of NIS5.2 billion, as of March 2015.

17. ***Given the Israeli decision to withhold clearance revenues, the PA passed an "emergency cash rationing budget" by the end of March* 2015** -- within the legal deadline**.** The emergency budget is based on the assumption that domestic revenues are the only source of income and that they will increase by 6 percent in 2015. On the expenditure side, it assumes partial wage payments and that only half of non-wage expenditures will be paid in cash while the rest will accumulate in arrears. However, a new supplementary budget is being finalized following the resumption of clearance revenues (discussed in the outlook section of this chapter).

18. **The recurrent fiscal deficit increased by as much as 169 percent in the first quarter of 2015 (year-on-year) due to a 14 percent drop in domestic taxes and 24 percent growth in expenditures.** Receipts from excise on tobacco decreased by 45 percent and this is due to the elimination of subsidy to local tobacco producers, which is resulting in higher tobacco imports with domestic excise being shifted to clearance revenues. There are also indications that some customers have been shifting to roll up tobacco sold in the black market after the PA has applied multiple tax hikes over the last two years to the price of a cigarette banderole. Despite the continued exemptions to prepay VAT duties earlier in the year, collections from VAT significantly decreased in Q1 2015 compared to the same period in the previous year by 32 percent. This steep decline cannot be fully explained by the economic decline in the West Bank and its causes are not fully understood.[10] Income tax collections dropped by about 1 percent probably as a result of a slowdown in economic activity in the West Bank where the economy is thought to have contracted in Q1 2015 due to the liquidity squeeze brought about by the withholding of clearance revenues. Main causes behind the expenditure increase are a steep growth in net lending (115 percent), due to larger-than-usual and unilateral withdrawals by Israel for unpaid utility bills by Palestinian municipalities and electricity distribution companies, but also a drastic increase in expenditures on goods and services and transfers. According to the PA, expenditure on goods and services has increased due to front loading of procurement in the health sector. While part of the growth in transfers is related to the increase in the number of beneficiaries of social benefits (from 108,712 to 115,951), a larger part of it is not entirely clear and it appears that some of these expenditures are related to the payment of arrears from previous years. [11]

Money and Banking

19. ***The Palestinian banking sector continues to be broadly sound***. The sector is well regulated by the Palestine Monetary Authority (PMA), which has made continuous efforts to enhance its institutional capacity and build the capabilities of a central bank. Annual growth of the banking sector's net assets was around 6 percent in 2014 and its net income grew by 2 percent over the same period. There is ample liquidity in the banking sector as evidenced by the loans-to-deposits ratio which stood at 55 percent as of December 2014, which mainly reflects a risk-averse policy by banks given the high political uncertainty. The private credit-to-deposits

10 Part of the decline is explained by lower tax base for banks due to the introduction of the deposit insurance scheme, which reduced the tax base by an estimated NIS70 million. This explains less than half of the drop though and at the time clearance VAT (collected by Israel on imports) stayed at last year's level.

11 This also indicates a weakness in the accounting of commitments as the repayment of arrears should not be booked as an expenditure.

ratio, albeit low, has been on the rise in recent years and it currently stands at 38 percent. Notably, the majority of private credit is loans for construction and consumption, which raises concentration risks that should be monitored. Non-performing loans remain contained at a low level of under 3 percent as of December 2014.

20. ***Given the substantial exposure of the banking system to the PA and its employees, clearance revenue suspensions pose a risk.*** The Palestinian banking sector provided USD1.25 billion in credit facilities to the PA at the end of 2014. This represented about 11 percent of the sector's net assets and around 85 percent of its equity. Credit to the PA employees reached USD885 million by the end of the year. Credit to the public sector and PA employees, combined, represented around 44 percent of the sector's gross credit. This high credit concentration is a serious risk that can threaten the viability of the overall sector, particularly given the ability of Israel to freeze the transfer of PA revenues.

21. ***Notwithstanding the high level of liquidity in the banking sector, the PMA continues to proactively take measures to mitigate risk.*** To prevent PA employees from defaulting on their loans as a result of the fiscal crisis that followed the suspension of clearance revenues, the PA instructed banks to only deduct 60 percent of the due loan installment from the employees' salaries and reschedule loans for a longer maturity. The PMA has also upgraded its stress-testing methodology to better gauge the impact of the fiscal crisis on banks that are most exposed to the PA. Latest available test results are for December and they indicate that the banking sector is generally healthy with the Tier 1 capital as a ratio of risk weighted assets at 20 percent – much higher than the minimum 8 percent required by the PMA.

Outlook and Challenges

22. ***The expectation that the Palestinian economy will rebound significantly in 2015 vanished following the Israeli decision to freeze the transfer of Palestinian taxes***. The overall real GDP growth rate is projected at 2.5 percent in 2015.[12] The economy of the West Bank is expected to grow at a relatively meager rate of 1.1 percent, due to the liquidity squeeze that was brought about by the Israeli decision to withhold Palestinian taxes, the effects of which are expected to persist despite the restoration of clearance revenues, a reduction in donor aid, and weak confidence due to high political uncertainty and no significant improvement in reducing the movement and access restrictions in the West Bank. A relatively slow economic recovery with 7 percent growth is expected in Gaza (following a 15 percent recession in 2014), reflecting the resumption of economic activity in the private sector and the acceleration of the reconstruction process observed in recent months. This rate of growth is significantly below what was earlier expected reflecting a much slower than anticipated pace of the reconstruction process. Moreover, downside risks remain significant. First, if implementation of donor pledges for Gaza fall short of expectations and/or materials are not delivered in a timely manner, the pace of reconstruction will be slower than expected. Second, any delay in the transfer of future revenues could lead to an even larger contraction in the West Bank.

23. ***The recurrent fiscal deficit (before grants) is expected to decline to 9.3 percent of GDP in 2015.*** Even though the vast majority of the deficit will be financed through donor grants, a financing gap close to USD500 million is expected to arise, particularly given that budget support is expected to be about 25 percent less than its 2014 level amounting to USD850. In the absence of additional aid, the gap will be financed by bank borrowing, expenditure cuts, and arrears to the private sector and the pension fund.

12 This estimate is produced by the IMF in cooperation with the WB and the PA MoF.

24. ***A setback could come from the result of the recent New York court ruling against the PA and the PLO.*** In February, the PA was asked to pay USD655 million (that could increase to more than USD1 billion if interest claimed by the plaintiffs is awarded) in compensation payments after a New York jury found it liable for crimes that killed American citizens in Israel a decade ago. The PA plans to appeal the ruling, but it may be obliged to place an amount in an escrow account until the appeals case is over. Given that the PA is cash strained, the New York court may opt to freeze some of the PA's assets instead. In case the appeal does not succeed and the ruling goes into effect, the PA will be obliged to pay this amount, which represents about a quarter of its total budget.

25. ***Another issue that adds to the risks stems from uncertainty about policies that the new Israeli government will adopt regarding the Israeli-Palestinian conflict.*** As the recent suspension of clearance revenues demonstrates, the policies that the new Israeli government will adopt regarding the transfer of Palestinian taxes, the restriction system and the peace negotiations will have a substantial impact on the overall outlook. Furthermore, investor confidence will also be affected by the stance the new Israeli government takes towards the two-state solution and the Israeli-Palestinian conflict.

II. The Staggering Cost of Violence and Blockade on Gaza's Economy and Living Standards

Current Situation

26. ***The armed conflict of July-August 2014 has had a severe impact on Gaza's economy, lives and livelihoods***. The conflict has created a humanitarian crisis and dramatically augmented the development challenges. More than 2,100 Palestinians died during the hostilities, more than 11,000 were injured and a third of the population was internally displaced. The conflict resulted in massive destruction of infrastructure. According to estimates, the total damage and losses are close to USD4.4 billion. This includes about 12,000 destroyed or damaged houses.[13] Infrastructure also suffered significant damages, including Gaza's only power plant as well as its electricity network, water and sanitation facilities, and telecommunication networks.

27. ***Currently, Gaza has higher unemployment than any other economy in the world***. According to the ILO unemployment database, in 2013 the highest measured unemployment rate of any country was in Mauritania at 31 percent. In Q4 2014, the unemployment rate in Gaza stood at 43 percent. The unemployment problem is much worse for young people between the ages of 15 and 29 years: the unemployment rate for this group exceeds 60 percent. To make things worse, about 70 percent of those who work in the private sector in Gaza receive less than the still-not-enacted minimum wage of USD400. Their average monthly salary amounts to a mere USD174.[14] Preliminary estimates by the Bank show that the reduction in Gaza's GDP per capita in 2014, caused primarily by the July-August 2014 war, led to an increase in poverty from 28 percent in 2013 to 39 percent.

28. ***Gaza's economy is dependent on large inflows of foreign aid and the livelihoods of the large majority of Gaza's households depend on aid***. According to UNWRA's estimates as many as 80 percent of Gaza's population depend on international donor aid and with severely limited

13 *Source:* The National Early Recovery and Reconstruction Plan for Gaza prepared by the Palestinian Authority in cooperation with donors.

14 *Source:* Palestinian Central Bureau of Statistics, Labor Force Survey, 2014.

inflow of foreign exchange from business transactions, donor aid and remittances have been the most significant drivers of Gaza's economy. The amount of formal and informal assistance to Gaza is not entirely clear, but it is certain that aid and remittances are almost the only source of foreign exchange inflows that fuels consumption in Gaza—which stands at 118 percent of its depressed GDP. Exports, at 5 percent of Gaza's GDP are extremely small. Investments activity has all but stopped in 2014. The major sources through which donor aid flows into Gaza are the following: budget of the Palestinian Authority, UNRWA programs, and donor-funded development projects outside of the PA's budget. The PA spends roughly USD1.6 billion in Gaza per year (58 percent of its 2014 revenue), which is the major source of its chronic deficit because the tax revenues it collects in Gaza amount to only about 13 percent of its revenues.

Years of Decline

29. ***Economic decline in Gaza, however, started much earlier and it has been directly linked with armed conflict, movement restrictions, and recently the blockade***. Gaza's economic performance over the past two decades has been at the global bottom, with only three economies experiencing lower rates of growth. Thus, Gaza's total real GDP is only a couple of percent higher now than it was 20 years ago in 1994. Whatever the choice of relevant comparators, this level of growth is tremendously small: during the same period, GDP in low income countries increased by 259 percent, that of middle income countries increased by 283 percent, while the real GDP in the Arab world and the Middle East and North Africa increased by 244 and 241 percent, respectively. With a relatively educated population, access to sea and proximity of a developed country, in the absence of conflict and blockade, one would expect Gaza's GDP to increase by at least as much as 250 percent over the past 20 years. Even with all the restrictions on movement and access and the unresolved political status as major obstacles to growth, West Bank GDP has increased by as much as 245 percent during this period of time.

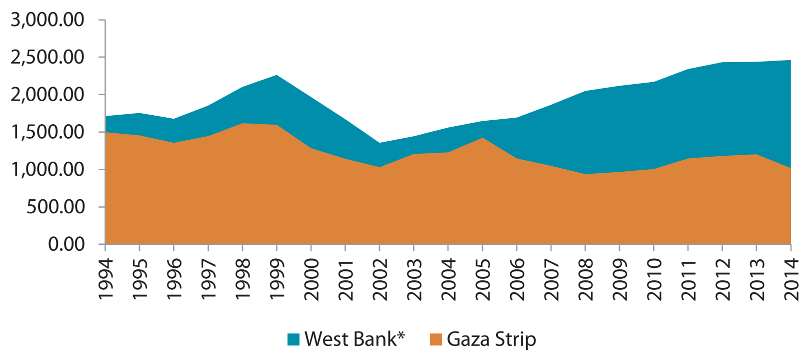
Figure 3: Aggregate real GDP growth in Gaza and comparator countries (1994-2013 for comparators & 1994-2014 for Gaza)

Source: World Bank and staff calculations

30. ***To fully understand Gaza's economic performance over the past two decades and its impact on the standard of living of Gazan population, one has to take into account population growth***. Over the past two decades Gaza's population increased by roughly 230 percent. Therefore, real per capita income (GNI) did not increase over this period, but it in fact

decreased by 31 percent. Consequently, while GNI per capita in the West Bank was only 14 percent higher than in Gaza in 1994, by 2014 that difference increased to 141 percent. Even if one takes into account remittances and official transfers, which buffer the impact of the drop in GNI, to arrive to a measure of disposable real income per capita in Gaza (i.e. GNDI) which is a better measure of purchasing power than GNI, a 20 percent reduction over the period is still observed. These numbers clearly indicate a substantial reduction in the standard of living of Gaza residents over the past two decades. However, they do not fully reveal the severe deterioration in the quality of life in Gaza caused by under-investments in public infrastructure and the deterioration in the quality of some infrastructure services such as electricity, water, and sanitation.

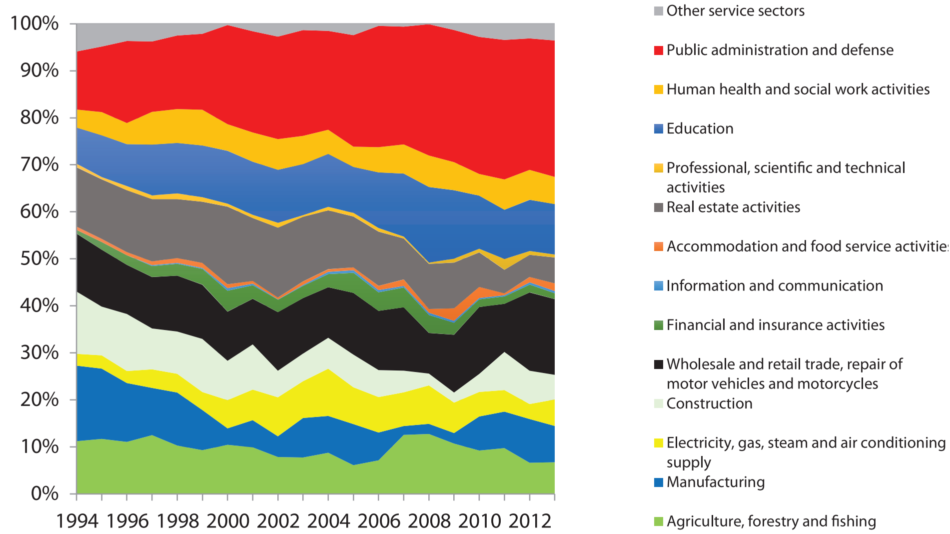
Figure 4: While real per capita income (GNI) increased modestly in the West Bank between 1994 and 2014 it was reduced by one third in Gaza



Source: Palestinian Central Bureau of Statistics

31. ***During the same period, manufacturing in Gaza, once significant, has all but disappeared with its share in Gaza's gross domestic product dropping more than 3 times since 1994***. The structure of Gaza's economy changed significantly: public administration and defense more than doubled, the share of trade (mostly domestic) increased, while the shares of industry and agriculture shrunk quite substantially (see Figure 5 below for details). In real terms, between 1994 and 2012, Gaza's manufacturing sector—which should have been the engine of sustainable economic growth--shrank by as much as 60 percent. In terms of its contribution to GDP, it dropped from 17 percent to 5 percent. The manufacturing sector decline is not a recent phenomenon—it has been happening gradually over the past 20 years as a result of repeated cycles of violence and restrictions on movement of goods and people both in and out of Gaza. However, the blockade introduced in 2007 has had the most significant impact on the sector.

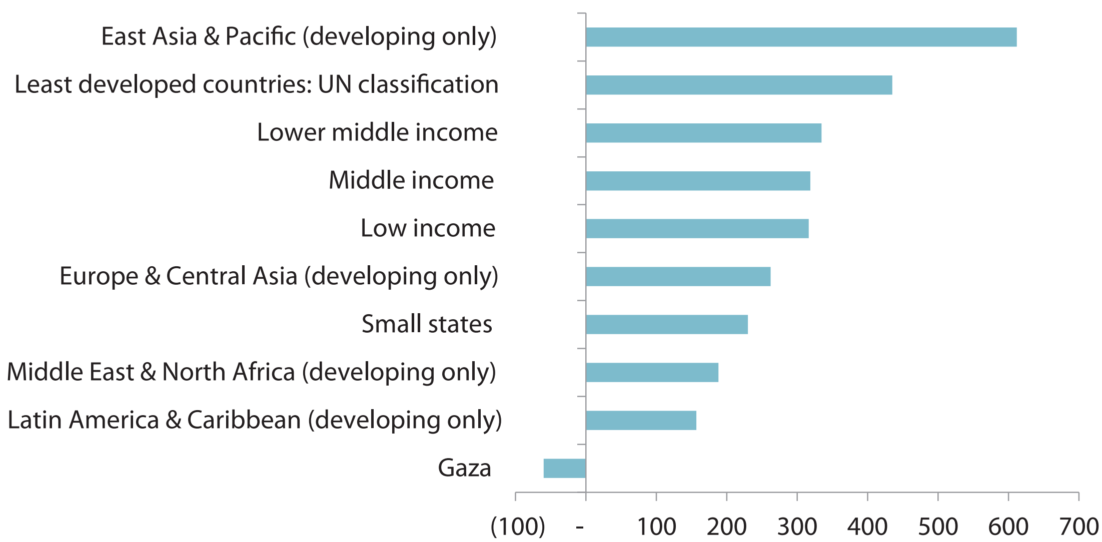
Figure 5: The structure of Gaza's economy changed significantly since Oslo with a large growth in public administration and defense, significant growth in trade activities, at the expense of industry and agriculture



Source: Palestinian Central Bureau of Statistics and World Bank staff calculations

32. ***A comparison of Gaza's manufacturing sector in 1994 and now with that of economies with similar geographic and human capital attributes, perhaps, illustrates best the degree to which the sector has suffered***. While the manufacturing sector in developing economies across the globe enjoyed rapid growth over the past 20 years, Gaza's manufacturing sector contracted significantly. Even developing economies in the Middle East & North Africa region, where growth in the manufacturing sector output has been one of the lowest among the comparators has almost doubled already by 2007 (last year with data available).

Figure 6 : Manufacturing Sector cumulative growth since 1994 for Gaza and other comparators



Source: World Bank Development Data Platform

Note: Comparison is between 1994 and latest year data is available (2011 for most countries).

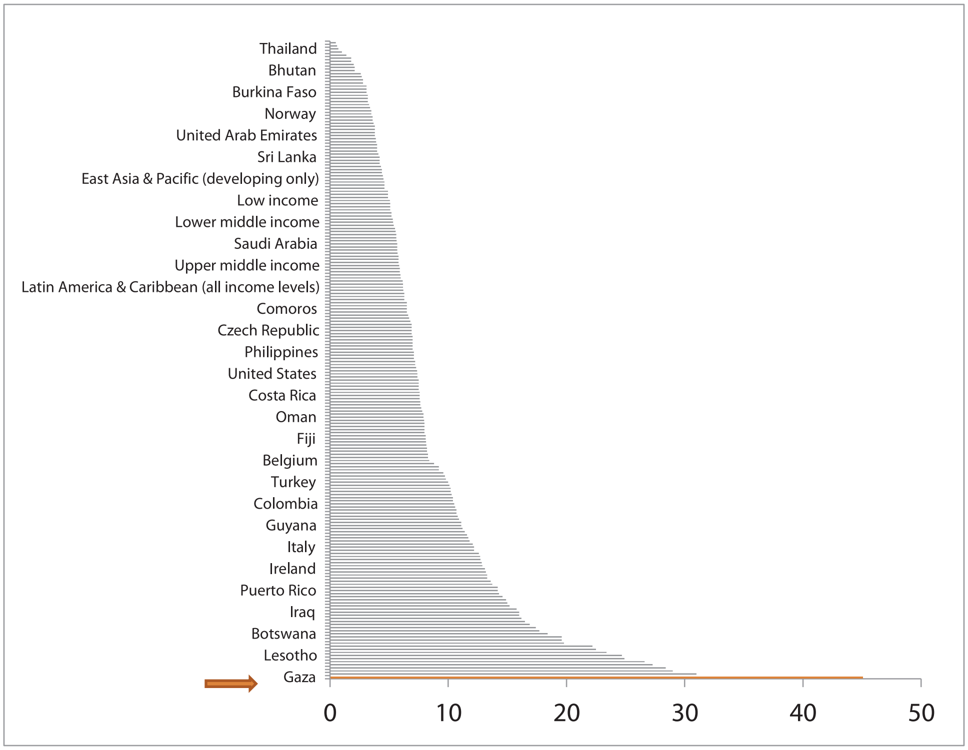
33. ***The loss of employment opportunities in Gaza as well as the loss of access to the Israeli labor market, have drastically pushed up Gaza's unemployment rate***. Unemployment rate has never been lower than 17 percent in Gaza since the Oslo Accords were signed. However, in the early years of the Oslo era unemployment dropped considerably and mostly due to growth in employment opportunities in Israel. Unemployment quickly bounced back around the Second Intifada reaching 38 percent when employment in Israel became virtually impossible for Gazans. The 2006/7 blockade led to a sharp increase in unemployment from 29 to 41 percent. By the end of 2013, the crackdown of the illegal tunnel trade between Gaza and Egypt led to a significant loss of employment opportunities. In 2014, the combination of the ongoing Israeli blockade and the war pushed the rate of unemployment to a record high of 43 percent in Q4.

Figure 7: Following a strong decline in the early years of the Oslo era, unemployment in Gaza has increased and reached a record high of 45 percent in the second quarter of 2014

Source: Palestinian Central Bureau of Statistics

34. ***Although Gaza is not a country, a comparison with other countries around the world is illustrative of how high unemployment in Gaza is: it is higher than in any of the 207 countries in the World Bank's database***. The comparison was made using available 2013 data for other countries (last year available for most) and 2014 unemployment data for Gaza. Furthermore, what is of particular concern in Gaza is the unemployment rate of 60 percent for those between 15-29 years of age and 54 percent for women despite the staggeringly low women labor force participation rate of 20 percent.

Figure 8: Unemployment rate in Gaza seems to be higher than that in any country in the world



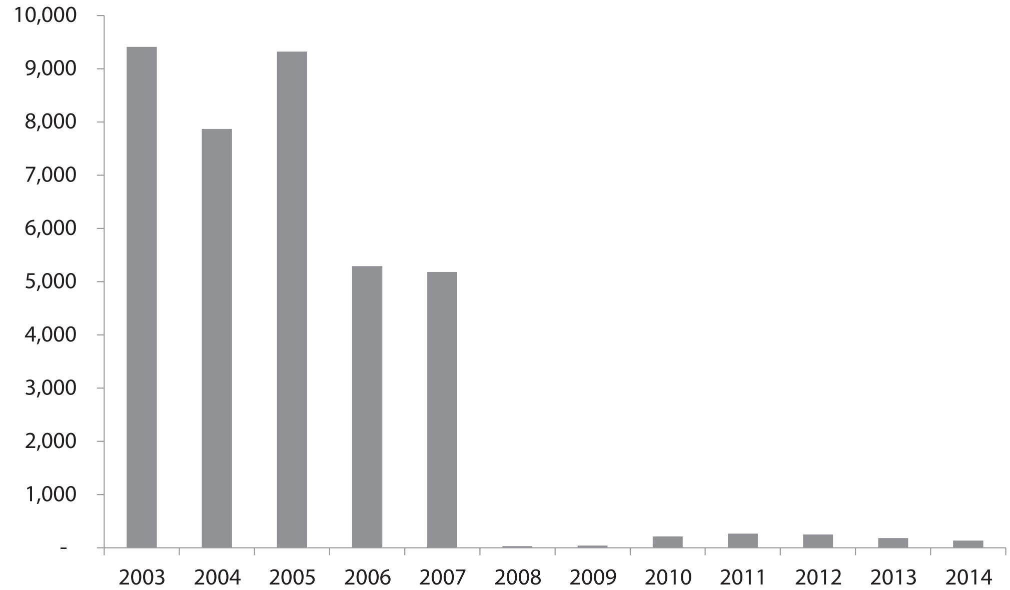
Source: World Bank, World Development Indicators

The Impact of the 2007 Blockade

35. ***Gaza's economy has particularly suffered as a result of the 2007 blockade***. Israel substantially tightened movement of goods and people in and out of Gaza in 2006 following the January 2006 victory of Hamas and the formation of the Hamas-led PA government in March 2006.[15] In 2007 a full blockade was imposed. Consequently, between 2005 and 2008, Gaza's gross domestic output was reduced by a third, first primarily as a result of a drastic drop in government consumption and investment and then after 2007 also a substantial drop in private consumption and investment, but also a virtual elimination of an already ebbed export sector.

15 Hamas is considered a terrorist organization by the US and EU.

Figure 9: Gaza's export's virtually disappeared after the blockade was imposed in 2007 (exports measured in number of truckloads)



Source: UN OCHA, http://www.ochaopt.org/dbs/crossings/commodityreports.aspx?id=1010003

36. ***Recent research papers found a strong link between Gaza blockade since 2007 and cycles of violence on the loss of welfare of Gaza's residents***. For instance, a research paper on "The Effects of Israeli Blockade and Assaults on the Economy of Gaza," used the West Bank as a counterfactual and found that the welfare loss between 2007 and 2012 has been large and that Gaza's 2012 GDP would have been 51.6 percent larger if it weren't for the combined effects of the blockade and armed conflict.[16]

37. ***Since the 2007 blockade, Gaza's economy became almost entirely dependent on large inflows of formal and informal aid, remittances, and later illegal tunnel trade with Egypt***. Good quality data on aid and remittance flows into Gaza is unfortunately not available. Even data on formal donor inflows to finance humanitarian and development projects in Gaza is not comprehensive. There is only speculation and informal estimates of the amount of aid that the de facto government in Gaza has been receiving from its supporters in recent years and the data on private remittances is equally hard to get. Gaza remains largely a cash economy so figures from formal bank flows are not very helpful in trying to estimate either trade or non-trade flows of foreign exchange into Gaza. However, it can be safely assumed that PA's and UNRWRA's expenditures in Gaza represent the largest sources of non-trade related financial inflows. In 2013, these two sources amounted to USD1.8 billion or 58 percent of Gaza's estimated GDP.[17] Bank staff estimated that other sources, primarily remittances, informal flows to de facto government, and out-of-budget donor projects amounted to another USD900 million. Thus, altogether it is estimated that transfers amount to roughly 90 percent of Gaza's GDP, which enabled financing of roughly the same amount of imports.

38. ***Furthermore, since the internal divide in August 2007, Gaza became the major source of deficit and fiscal burden on the PA's finances***. With the drastic reduction in non-energy

16 Suleiman Abu-Badar, World Bank, Mimeo, 2015.

17 This includes donor projects financed through PA's budget. Since donors provide budget support to the PA, these expenditures are also indirectly enabled by donor aid.

imports into Gaza from Israel of 75 percent following the blockade, the tax base for clearance revenues (70 percent of total revenues), was significantly reduced. Tax revenues dropped four percentage points between 2005 and 2007, from 28 percent of GDP to 24 percent of GDP and they have never recovered. On the other hand, the PA continued to incur substantial expenditures in Gaza, mainly on staff salaries and social assistance benefits. Roughly 43 percent of PA's expenditures are spent in Gaza, while only 13 percent of its revenues come from Gaza (increased recently from 3 percent, mostly due to growth in taxes collected on fuels imported into Gaza from Israel, as of 2014). In 2013, however, Gaza's GDP accounted for roughly 28 percent of the Palestinian GDP and based on this, one would expect a similar share of Palestinian tax revenues to come from Gaza.[18]

39. ***Finally, it is noteworthy that the macroeconomic and poverty data provide but a hint about the large human toll and the extremely difficult living conditions experienced by Palestinians in Gaza even before the outbreak of the 2014 war***. As noted earlier, the unemployment rate in Gaza is, probably, the highest in the world. Furthermore, despite the fact that nearly 80 percent of Gaza's population receives some kind of social assistance, 39 percent of them (according to Bank's preliminary estimates for 2014) still fall below the poverty line. While shocking, these numbers fail to fully convey the difficult living conditions that nearly all Gaza's residents have been experiencing since the blockade was imposed by Israel in 2007. For instance, most of Gaza's 1.8 million residents are confined to an area of 160 km2 and are not able to travel beyond this area without permits. The psychological effects of confinements are not clear and neither are the effects on human capital from limiting travel and related knowledge absorption, etc. It is known, however, that as a consequence of confinement and repeated cycles of armed conflict, a sizeable share of Gaza's population suffers from psychological trauma, including post-traumatic stress disorder (PTSD). Apparently, as many as one third of Gaza's children showed signs of PTSD even before the 2014 armed conflict.[19] The number is almost certainly larger following the last conflict. Poor access and quality of basic public services such as electricity, water, and sewerage have far reaching consequences on the lives of Gaza's citizens.

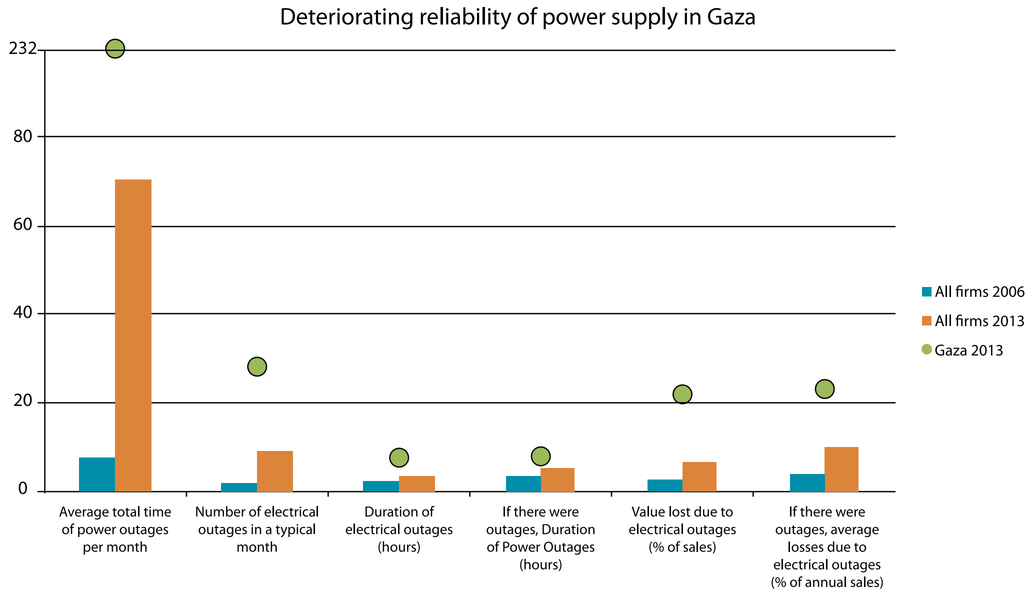
40. ***The lack of electricity is a serious problem for Gaza's citizens***. The electricity supply in Gaza meets only 46 percent of its estimated needs.[20] Consequently, Gazans have been suffering from regular electricity outages. Electricity is normally provided on a 5-8 hour on and off intervals. The lack of electricity is not only a key obstacle to investment and growth cited by Gaza's private businesses, but it also substantially reduces the quality of life of Gaza's residents. What makes the lack of electricity particularly difficult in Gaza is the dearth of alternative fuels caused by the blockade: firewood and gas are very scarce, while liquid fuel is costly and not easily available to many of Gaza's residents. Consequently, many of Gaza's citizens have lacked heating in their home, in particular during the last winter and they are limited in the use of household appliances.

18 Without the blockade, as will later be shown, the revenue potential of Gaza would have been much higher than 28 percent, because Gaza's economy would have been larger and in turn the tax base would have been larger.

19 The GoI states that it has recently committed to increasing water supply to Gaza by about 5 million cubic meters per year, which would nearly double the current supply of potable water available to Gaza.

20 Source: Fieldwork interview, Gaza City, November 24, 2008.

Figure 10: Gazan companies cite access to electricity as a major obstacle



Source: World Bank, Investment Climate Assessment for West Bank and Gaza (2014)

41. ***Although almost all houses in Gaza have water connection, access is still inadequate and the quality of water is poor, while the lack of access to sanitation services has reached crisis proportions***. Estimates dating from 2008 showed that Gaza's aquifer, its sole source of fresh water, was overdrawn by 200 percent. This is causing seawater intrusion and consequently only 5-10 percent of aquifer water in Gaza is drinkable. According to UN OCHA report of March 2014, around one third of Gaza's residents only have access to water for 6-8 hours once in four days.[21] In addition to electricity outages, access to spare parts for network maintenance and repairs is restricting water supply in Gaza. The situation with sewerage is even worse. About 60 percent of Gaza's households are connected to sewerage. However, only a small portion of sewerage gets treated and untreated sewerage (about 100 million liters) ends up in the Mediterranean Sea every day. Back in 2008, WHO estimated that 26 percent of diseases in Gaza were water-related.[22]

42. ***Access to decent housing is also a major hindrance on the quality of life in Gaza***. Gaza's citizens are crammed in small living space due to population growth, lack of adequate access to building materials, restrictions on building on land close to borders with Israel, which ranges from 300-1,000m from the border fence, and destruction of tens of thousands of homes in armed conflict (28,000 damaged or destroyed during the last war), and of course as a result of poverty as well. It is estimated that on average three people share one room in Gaza's residences.[23]

21 1999 census data by the Palestinian Central Bureau of Statistics.

22 The construction sector suffered the most, in particular during the first quarter of 2014, and it shrank by 42 percent during the first half of 2014 compared to the first half of 2013. While the precise fiscal impact on the de facto authority in Gaza is not known, it is clear that the crack-down on the tunnel trade has drastically reduced its revenues as a consequence of which at least 70,000 civil servants and security staff on its payroll were not paid for several months.

23 1999 census data by the Palestinian Central Bureau of Statistics.

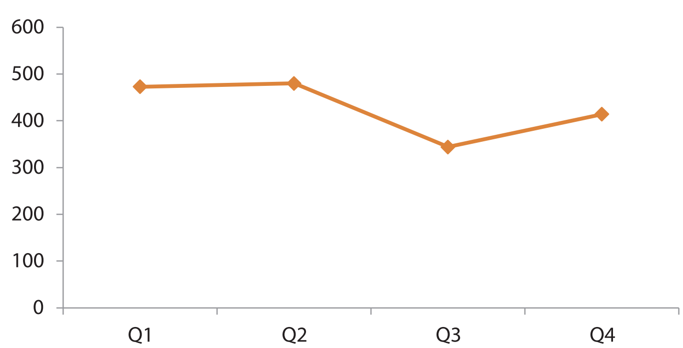
The 2014 War

43. ***As noted in the first section of this report, the crackdown on the illegal tunnel trade by the Egyptian government has drastically reduced international trade, which had a substantial impact on Gaza's economy even before the outbreak of the July-August 2014 war.*** Consequently, Gaza's GDP contracted by four percent during the first half of 2014.[24]

44. ***The 2014 war impacted the Gazan economy through several channels***. First and the most significant economic impact is related to the fact that most businesses were unable to operate during the conflict, which resulted in the loss of output. These losses were often not related to damages suffered by enterprises and were not included in the enterprise-level damage and loss assessment that has been carried out by the PA together with donor partners. Second, many enterprises suffered partial damage and a number of them were totally destroyed as a consequence of the war, resulting in the loss of economic capacity, which will persist until the real assets of those enterprise are repaired. Third, the war also damaged Gaza's utilities and infrastructure, such as transportation, water and sanitation, and electricity, which not only led to loss of output in those sectors, but also had a significant spillover effect on most sectors of Gaza's economy. Specifically, infrastructure sector damages have been estimated at over USD400 million. Fourth, a number of enterprises are still incurring conflict-induced losses, even if they were not damaged by the war due to losses in consumer and investor confidence. In addition those who were damaged by the war continue incurring losses due to restrained access to construction materials to repair and reconstruct the damages. Others are debilitated by the loss of human capital, supply chain disruptions and other reasons.

45. ***Bank staff have estimated that only in 2014, the conflict has reduced Gaza's GDP by about USD460 million***. Gaza's real GDP was reduced by as much as 15 percent in 2014, as economic activity across all non-government sectors of the economy reduced their output. Construction, agriculture, manufacturing, and electricity sectors were hit the most with output reductions in the construction sector slashed by 83 percent in the second half of 2014 and output reduced by roughly a half in these other sectors.

Figure 11: The 2014 conflict caused a 15 percent drop in Gaza's real GDP



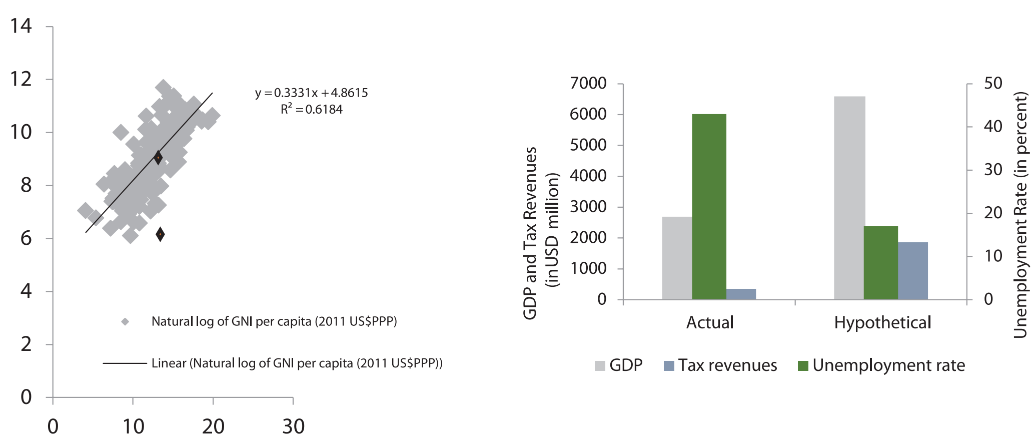
Source: Palestinian Central Bureau of Statistics

24 The construction sector suffered the most, in particular during the first quarter of 2014, and it shrank by 42 percent during the first half of 2014 compared to the first half of 2013. While the precise fiscal impact on the de facto authority in Gaza is not known, it is clear that the crack-down on the tunnel trade has drastically reduced its revenues as a consequence of which at least 70,000 civil servants and security staff on its payroll were not paid for several months.

46. ***The economy will continue to suffer as a result of the conflict, not only because of its significant impact on the productive capacity of Gaza's private sector, but also because of the impact on infrastructure, business confidence, the loss of human capital, and other indirect losses***. Future losses induced by the conflict are, however, very hard to project, as they depend on a number of variables, mainly: the degree of restrictions on movement of goods, people and financial flows in and out of Gaza, availability of reconstruction financing, and other possible constraints on the reconstruction program. Under the baseline scenario, Gaza's economy is expected to grow at 7 percent in 2015, albeit there are significant downside risks. Even with this rate of growth, the GDP losses in 2015 compared to the counterfactual (i.e. the projection of Gaza's 2015 GDP prior to the conflict) are expected to amount to USD530 million.

47. ***On the other hand, one cannot but ask the hypothetical question as to what Gaza's economy and standard of living would have been today without conflicts and the blockade?*** West Bank provides a good counterfactual for this kind of estimate. Given that the West Bank economy--despite the movement and access restrictions--has grown by as much as 245 percent between 1994 and 2014, it is safe to assume that had Gaza and the West Bank remained a single and functioning market, growth in Gaza would have at least equaled that of the West Bank. As shown in Figure 3 all relevant comparators have experienced growth in this range. Years of schooling are also a good proxy for potential GDP. Thus, if one were to estimate Gaza's GDP today based on its expected years of schooling, its size would be 4.5 times the current estimate. However, taking a more conservative approach and using West Bank growth as a proxy over the past twenty years, it can be estimated that Gaza's 2014 GDP would have been USD3.9 billion higher than it currently is. Unemployment would probably have been close to that in the West Bank at 17 percent (26 percentage points decline) and tax revenues from Gaza would have been USD1.5 billion higher than they currently are, assuming the same revenue collection efficiency now observed for the West Bank.

Figure 12: Estimations show that without conflicts and blockade Gaza's economy and public finances would look starkly different



Source: World Bank staff estimates and Palestinian Central Bureau of Statistics for actual unemployment rate

The Way Forward

48. ***A status quo in Gaza is unsustainable and could have further incalculable socioeconomic and ultimately human consequences***. As unambiguously shown by the above analysis, the combination of armed and political conflict and the blockade imposed by Israel in 2007 have had a huge toll on Gaza's economy. Unemployment and poverty have reached staggering rates and the quality of life for the large majority of Gaza's citizens is hardly bearable. The feeling of hopelessness is pervasive, in particular following the summer 2014 war. The access and quality of basic services such as electricity, water and sewerage is rapidly deteriorating and pandemics of infectious diseases are a real threat.

49. ***Sustained economic growth, driven by the private sector, and substantial infrastructure investments are needed to improve the quality of life for Gaza's population and to reduce their plight***. The potential shown above and quick rebounds of Gaza's economy that followed cycles of violence when conditions improved provide sufficient comfort that Gaza's economy can be removed from life support quickly if the blockade is lifted and the right economic and governance policies are put in place.

50. ***Short to medium term socioeconomic recovery in Gaza will essentially be determined by two factors***: First, the degree of easing of the Israeli blockade, in particular to allow reconstruction materials in[25] and exports out;[26] Second, the level of inflows of donor financing for the reconstruction activities. Obviously, top priority in Gaza is to step up reconstruction and repair the damages caused by the 2014 war so that homes can be reconstructed and repaired, to reconstruct and repair the business infrastructure, and to restore all the essential public services, which have been disrupted by the war. This requires that donors follow through on the pledges made at the Cairo conference and cooperation by Israel and other parties to allow unimpeded access to construction materials for civilian purposes in Gaza. The reconstruction efforts alone are expected to give a direct boost to Gaza's construction and trade sectors equivalent to some USD450 million a year over the next three years.[27] Significant indirect effects on other sectors of Gaza's economy can also be expected. Given that Gaza's GDP contracted by as much as 15 percent in 2014, strong reconstruction activity would merely ensure that Gaza's real GDP per capita returns to the pre-2014 level by the end of 2016.

51. ***Sustained economic recovery beyond the immediate reconstruction effort will require systematic policy efforts to create the enabling environment for private sector-led growth***. In this regard, several policies and activities will be critical determinants of sustained economic growth, employment, poverty reduction and ultimately the improvement in the quality of life for Gaza's population including:

    a. Effective governance systems and institutional strengthening under PA's leadership are a necessary precondition for the sustained economic recovery of Gaza. Building legitimate institutions in Gaza that enjoy the support of the international community and that will govern Gaza in a transparent, accountable, effective, and efficient manner is a *sine*

25 The GoI states that it has already allowed over one million tons of construction material into Gaza following the 2014 war but according to the GISHA, an Israeli NGO, which monitors movement in and out of Gaza, this only represents 9 percent of the amount needed for reconstruction.

26 According to the GoI, following the 2014 war, agricultural products from Gaza were exported to Israel for the first time since 2007. The GoI has also recently allowed the entrance of textile and furniture manufactured in Gaza to the West Bank. Between September 2014 and March 2015, an average of 48 trucks carrying goods exited Gaza every month which represents a mere 4.5 percent of what exited monthly before the blockade was imposed, according to GISHA - an Israeli NGO: http://www.gisha.org/UserFiles/File/publications/Info_Gaza_Eng.pdf.

27 The Bank projects an increase in construction sector output of around USD330 million per year and an increase in domestic wholesale and retail trade output of around USD120 million per year.

qua non for Gaza's sustained development, as stated previously by the Bank and other development partners. It is therefore regrettable that the effort to create these institutions with the appointment of the consensus government in 2014 has not made much progress and it is imperative upon the international community to strongly encourage and support the achievement of this objective.

b. Once the Palestinian Authority is fully in charge of Gaza's public sector, it will have to take prompt actions to ensure sustainability of its governance arrangements in Gaza, in particular through revenue mobilization and civil service reform. Currently only around 13 percent of all PA's revenues are collected on Gaza's tax base. The potential is much larger even now when Gaza's economy is severely depressed as shown in the analysis above. If Gaza's share of revenues were commensurate to its GDP, PA would already be receiving up to USD400 million more from Gaza. However, eventual integration of the civil service in Gaza would require more or less this whole amount and the PA's Gaza-related deficit would still continue to be unsustainably large. The deficit will have to be reduced by conducting civil service reform to reduce the size of the central government wage bill, which as a share of national GDP, is amongst the largest in the world. Further efforts to increase the tax base in both the West Bank and Gaza will also be essential. In Gaza, along the collection efforts, efforts to support economic growth can lead to a drastic growth in Gaza's tax base and tax collection (see Figure 9 above).

c. The trade blockade imposed upon Gaza by both Egypt and Israel needs to be lifted. Sustainable development of Gaza will be impossible without efforts to integrate Gaza into the regional and global economy through trade, while taking into account neighboring countries' legitimate security concerns. Gaza's industry and agriculture will not experience substantial growth without access to imported raw materials and machinery. Gaza's construction sector also depends crucially on imported raw materials. Just like that of any small economy, Gaza's long term growth prospects will depend to a large extent on its export sector. The export sector will require both access to imported raw materials and machinery, but also unimpeded access to foreign markets, including the Israeli market. Trade between West Bank and Gaza is also important and it is therefore essential to ease the access of Gaza's products into the West Bank.

d. Continued donor support for a number of years with a stronger emphasis on the development of Gaza's infrastructure is also necessary. Gaza's economy will continue to depend critically on donor support for several years to come, and gradually Gaza's tradable sectors will be replacing the role of donor aid as the key source of foreign exchange to fuel Gaza's economy. For the next 2-3 years, donors should focus their assistance to support the ongoing reconstruction effort to repair the damages of the 2014 armed conflict as well as the provision of budget support to the PA to enable it to cover the deficit emanating from its operations in Gaza (i.e. PA expenditures in Gaza are larger than revenues it raises from Gaza by more than USD1 billion). After the reconstruction effort is over, the PA and donors will need to focus their assistance on revitalizing Gaza's public infrastructure (primarily electricity, water and sewerage services) beyond the damage repairs. In addition, efforts should also focus on revitalizing and developing other infrastructure that will enable growth of Gaza's tradable sector, such as transportation network (including looking at the feasibility of building a commercial port in Gaza), product safety and quality infrastructure, etc.

Annex I: An Overview of disbursement and implementation of Pledges made at the Cairo Conference on Palestine "Reconstructing Gaza", Cairo 12th October, 2014

52. On October 12th 2014, Egypt, Norway and the Palestinian Authority (PA) convened the Cairo Conference on Palestine, "Reconstructing Gaza" to respond to the humanitarian needs of the Palestinian people in the aftermath of the Gaza war that took place in July and August 2014, and to enable early recovery and the reconstruction of Gaza.

53. At the request of Norway, as Chair of the Ad-Hoc Liaison Committee (AHLC), and the Palestinian Authority (PA), the World Bank is leading a stocktaking exercise to assess the disbursement and implementation progress of support to Gaza pledged at the conference. The Bank has been closely coordinating with the Palestinian Ministry of Planning and Administrative Development (MoPAD) while carrying out this exercise. The Bank's findings will be updated regularly and presented in the World Bank's report to the AHLC twice a year.[28]

54. A review of total pledges captured at the Cairo Conference shows that participant countries and agencies pledged approximately USD5 billion to the Palestinian territories over the period 2014-2017, of which USD3.5 billion was intended to support Gaza.[29] A breakdown by donor of support pledged at the Cairo Conference can be found in Table 1. About 72 percent of support to Gaza captured at the conference is new funding committed by participants to support Gaza recovery and reconstruction after the 2014 war.[30] The remainder is (as shown in figure 14) part of existing commitments, reallocated from existing commitments or assistance that was already disbursed during the war.[31]

Figure 13: Total Pledges announced at Cairo Conference (in million)

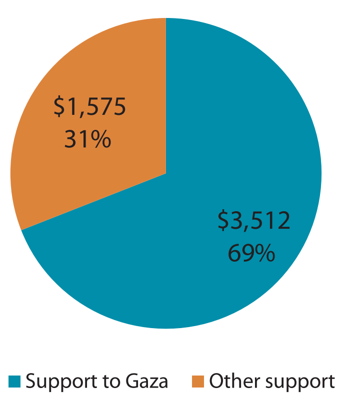
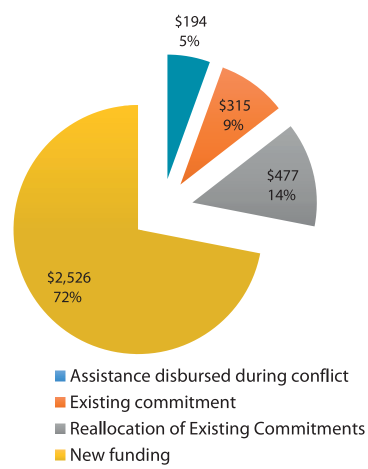


Figure 14: Support to Gaza Classification (in million)



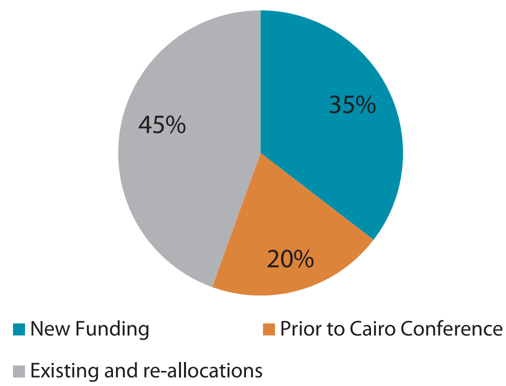
Source: Data provided by donors and World Bank staff calculation

28 Findings can be also found online at (http://www.worldbank.org/en/programs/rebuilding-gaza-donor-pledges#5).
29 Figures for pledges announced at Cairo Conference were revised due to some inaccuracies in recording original pledges and for the use of inflated commodity.
30 Check Glossary for more details about classification of Support to Gaza.
31 Classification of funding may be subject to change in cases where donors did not verify their figures.

Disbursement Progress

55. More than six months after the Cairo Conference, total disbursement of pledges to support Gaza is estimated at USD967 million,[32] and hence, the overall disbursement ratio of Support to Gaza reached 27.5 percent. [33] As seen in figure 15, 20 percent of actual disbursements (USD194 million) had already been disbursed prior to the Cairo Conference in response to the urgent humanitarian needs in Gaza.[34] A significant 45 percent of actual disbursements is from existing commitments and re-allocation of existing commitments. The remaining 35 percent reflects disbursement of new funding. According to data collected by the World Bank, the disbursement ratio of new funding to Gaza is estimated at 13.5 percent only.

Figure 15: Classification of Disbursements of Support to Gaza



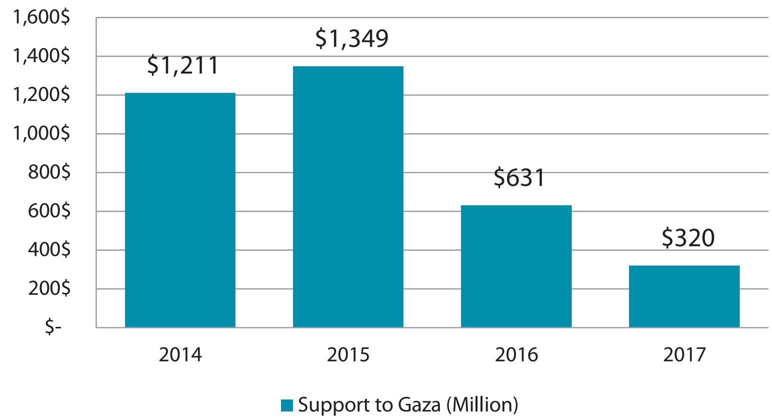
Source: Data provided by donors and World Bank staff calculation

56. Based on data provided by participant countries, 22 participants already fully delivered their original pledge to support Gaza made at the conference. However, their overall disbursements (USD217 million) represent only 6.2 percent of total support to Gaza. Pledges from the top seven donors combined represent around 78 percent of total support to Gaza announced at Cairo Conference over the period 2014-2017 (USD2.7 billion). Total disbursements so far by the top 7 donors amounted to USD525 million –19 percent of their total original pledges.

57. Figure 16 shows the expected flow of funding to Gaza over the period 2014-2017 based on information provided in the pledging forms filled out by donors at the conference. According to this information, more than 70 percent of total support to Gaza is expected to be disbursed over the period 2014-2015. Nonetheless, actual disbursements so far (USD967 million) fell short of the planned disbursements by around USD582 million.[35] Therefore, it's evident that efforts need to focus on accelerating the disbursement of funds to address the urgent needs in Gaza.

32 This estimate may change once further data is collected from donors who did not provide information about disbursements and allocations of pledges.
33 Check Glossary for definition of disbursement ratio.
34 These figures were re-announced and captured in the pledging exercise during the conference.
35 The top seven donors are Qatar, Saudi Arabia, European Union, USA, Kuwait, Turkey and UAE.

Figure 16: Expected Flow of Support to Gaza



Source: Data provided by donors and World Bank staff calculation

Disbursement Status by Sector

58. Support to the humanitarian sector has attracted a large portion of Cairo Conference pledges to Gaza. Around 41 percent of actual disbursements went to the humanitarian sector followed by 24 percent to infrastructure. The social sector comes in third (16 percent) followed by budget support (14 percent).

Figure17: Actual Disbursement by Sector (in million)

Source: Data provided by donors and World Bank staff calculation

Disbursements by Implementing Agency

A significant portion of funding already disbursed was channeled through international agencies working in Gaza (75 percent of disbursements). About USD437 million of disbursements to Gaza were absorbed through UNRWA in addition to USD289 million through other implementing agencies. About USD156 million was channeled through the PA treasury and implemented through PA institutions. Another USD84 million was channeled to PA's treasury through the PEGASE mechanism administered by the EU. Figure 19 shows the distribution of funding received by UNRWA mainly to support its general fund, the flash appeal and the emergency Appeal.[36]

36 Actual disbursements compared to planned disbursements up to the first quarter of 2015.

Figure 18: Disbursements by implementing agency (in million)

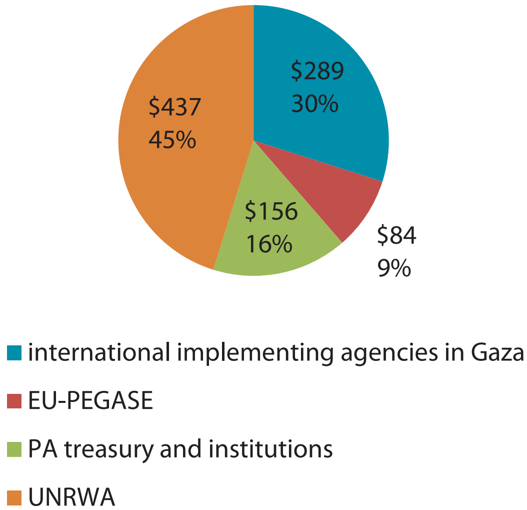
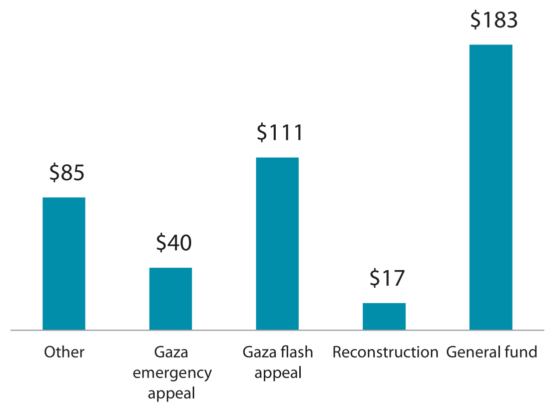


Figure 19: Disbursements through UNRWA (in million)

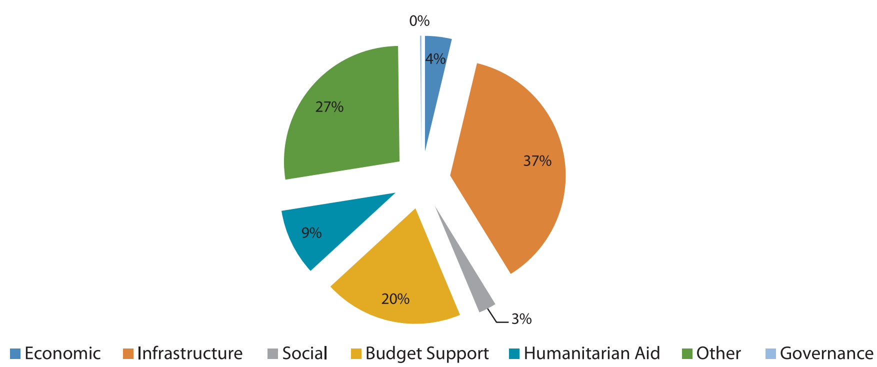


Source: Data provided by donors and World Bank staff calculation

Allocation of undisbursed Funds

59. Only USD513 million of undisbursed pledges are allocated to specific projects and programs while the remaining USD2 billion is yet to be allocated to priority needs.[37] Out of future funds already allocated, the majority is to be spent on infrastructure, budget support and economic sectors, as shown in figure

Figure 20: Future Allocations by Sector



Source: Data provided by donors and World Bank staff calculation

60. Based on available data, the top two sectors receiving highest donor funding so far are humanitarian and infrastructure.[38]Comparing actual disbursement with the estimated recovery and reconstruction costs of the infrastructure sector, as presented in the *National Early Recovery and Reconstruction Plan* for Gaza, donor funding covers a mere 12 percent of the estimated needs. The percentage increases to 22 percent when we take into account future allocations to the same sector.

37 Based on data collected from donors.
38 Taking into account actual disbursements and future allocations.

Glossary:

Currency: Total Pledges announced at Cairo Conference are in USD million. All original pledges in other currencies were converted into USD using the Historical currency exchange rates obtained from (www.oanda.com) dated October 9th 2014. For donors with pledges in currencies other than USD, actual disbursed amounts may slightly differ from figures in table due to fluctuations in exchange rates. Disbursed amounts in other currencies were converted to USD based on historical exchange rate to reflect accurate progress in disbursement.

Pledges defined: The output of the pledging exercise in Cairo Conference was a combination of two types of pledges; Pledges by donors of Total Support for the Palestinian territories for the period 2014-2017 and Pledges by donors of support to Gaza ONLY over the same period. [39] The difference in pledges reporting by donors at Cairo Conference required a classification of total support figures to better reflect Support to Gaza for the period 2014-2017 and to allow tracking disbursement of Support to Gaza over that period.

Support to Gaza: Funds pledged during the Cairo conference intended to support Gaza recovery and reconstruction.[40]

Support to Gaza Classification

Total support to Gaza that was announced at Cairo Conference is classified into 4 main categories:

- Humanitarian assistance disbursed during conflict and Prior to Cairo Conference that was part of the Pledge declared at the conference.
- Existing commitments by donor that were planned and programmed for Gaza for the period 2014-2017 prior to conflict and were part of the pledge.
- Reallocation of existing commitment by donor to support Gaza in response to the conflict.
- New funding announced at Cairo Conference to support Gaza recovery and reconstruction.

***Disbursement defined*:** Disbursement of Support to Gaza does not necessarily reflect actual expenditures made on purchasing project-related goods and services but that a donor funds have been made available for use by the relevant implementation agency.[41]

***Disbursement ratio of support to Gaza*:** This is the ratio of the amount disbursed of support to Gaza, as per the disbursement definition above, to the amount pledged to support Gaza at the Cairo Conference.

39 The Pledging Exercise at Cairo Conference took two forms; the first where participant countries declared ALL their commitments to the Palestinian Territories over the period 2014-2017 and the second where participant countries declared Gaza specific funds only in their pledge.

40 Support to Gaza figure refers to pledges made at Cairo Conference and therefore does not reflect all support spent on Gaza after the latest war.

41 When a pledge (part of pledge) is disbursed that means that funds were received and secured by implementation agency and donor had fulfilled the pledge committed at Cairo conference.

Table 1: Summary Status of Support pledged at Cairo Conference on Palestine "Reconstructing Gaza" Cairo, October 12, 2014

in USD Million

Donor	Total Pledges announced at Cairo Conference	Of which Support to Gaza
Algeria	61.40	61.40
Argentina[1]	2.14	2.14
Australia	83.5	13.18
Austria[2]	8.80	8.80
Bahrain	6.50	6.50
Belgium[3]	7.92	7.92
Brazil[4]	5.00	5.00
Bulgaria	0.06	0.06
Canada	14.66	14.66
Chile	0.25	0.25
China	1.60	1.60
Croatia	1.24	0.40
Czech Republic	3.75	0.75
Denmark	186.17	14.46
Estonia	1.27	1.27
European Investment Bank[5]	70.00	70.00
European Union[6]	348.28	348.28
Finland	29.57	9.31
France[7]	50.66	10.13
Germany	63.32	63.32
Greece	1.27	1.27
Hungary	0.16	0.16
India	4.00	4.00
Indonesia	1.00	1.00
Ireland	3.17	3.17
Italy[8]	62.90	23.68
Japan[9]	200.00	61.00
Kuwait	200.00	200.00
Luxembourg	37.72	8.97
Malaysia	1.45	0.10
Mexico	1.10	1.10
Norway[10]	362.44	144.98
Poland	0.10	0.10
Portugal	0.03	0.03
Qatar	1000.00	1000.00
Romania	0.05	0.05
Russia	10.00	10.00
Saudi Arabia	500.00	500.00
Serbia	0.05	0.05
Singapore	0.10	0.10
Slovakia	0.05	0.05
Slovenia	0.19	0.19
South Africa	1.00	1.00
South Korea	12.00	2.00

Donor	Total Pledges announced at Cairo Conference	Of which Support to Gaza
Spain	45.59	22.80
Sudan[11]	20.00	20.00
Sweden	410.00	10.00
Switzerland	130.00	69.88
The Netherlands	227.97	15.30
Turkey	200.00	200.00
UAE	200.00	200.00
UK	32.16	32.16
USA	414.00	277.00
World Bank	62.00	62.00
TOTAL	**5,087**	**3,512**

1 Argentina's contribution is in the form of technical assistance agreement to support Gaza which was signed with MOPAD.

2 Austria's contribution of USD8.8 million is programmed for the benefit- with some minor exceptions- of people living in Gaza.

3 Belgium's contribution is its 2014 General Fund contribution to UNRWA.

4 Brazil's contribution is in the form of In-Kind (6000 tons of rice and 4000 tons of beans).

5 European Investment Bank contribution is in the form of a loan.

6 European Union contribution includes contribution to UNRWA General Fund pro-rata Gaza for 2014-2015.

7 France's contribution includes total aid for Palestinian territories for the year 2014 only.

8 Italy's contribution includes a soft loan to the Palestinian National Authority of EUR 15 million.

9 Japan pledged USD200 million for Palestinian territories. No specific-pledged amount for Gaza reconstruction. So far, about USD199 million was disbursed of which USD61 million for projects in Gaza, 106 for West Bank and Gaza, 28 million for West Bank and 4.2 million for others.

10 Norway did not specify the allocation of its total support between West Bank and Gaza. The amount to Support Gaza is an estimate.

11 Sudan's contribution is in the form of in kind assistance (100 thousand tons of cement and USD3 million of medical supplies).

Table 2: Support to Gaza Classification[1]

in USD Million

Donor	Total Support to Gaza	Of which assistance disbursed during conflict	Of which existing commitment	Of which reallocation of Existing Commitments	Of which new funding
Algeria	61.4	36.4	25.0	0.0	0.0
Argentina	2.1	0.0	0.0	0.0	2.1
Australia	13.2	13.2	0.0	0.0	0.0
Austria	8.8	3.2	5.7	0.0	0.0
Bahrain	6.5	0.2	0.0	0.0	6.3
Belgium	7.9	0.0	7.9	0.0	0.0
Brazil	5.0	0.0	0.0	0.0	5.0
Bulgaria	0.1	0.0	0.0	0.0	0.1
Canada	14.7	0.0	14.7	0.0	0.0
Chile	0.3	0.3	0.0	0.0	0.0
China	1.6	0.0	0.0	0.0	1.6
Croatia	0.4	0.1	0.0	0.0	0.4
Czech Republic	0.8	0.0	0.0	0.0	0.8
Denmark	14.5	0.0	0.0	10.2	4.3
Estonia	1.3	0.0	0.0	0.0	1.3
European Investment Bank	70.0	0.0	70.0	0.0	0.0
European Union	348.3	0.0	0.0	323.0	25.3

Donor	Total Support to Gaza	Of which assistance disbursed during conflict	Of which existing commitment	Of which reallocation of Existing Commitments	Of which new funding
Finland	9.3	3.0	6.3	0.0	0.0
France	10.1	3.8	0.0	6.3	0.0
Germany	63.3	0.0	0.0	0.0	63.3
Greece	1.3	0.6	0.0	0.0	0.6
Hungary	0.2	0.0	0.0	0.0	0.2
India	4.0	0.0	0.0	0.0	4.0
Indonesia	1.0	0.0	0.0	0.0	1.0
Ireland	3.2	0.6	0.0	0.0	2.5
Italy	23.7	0.0	19.0	0.0	4.7
Japan	61.0	5.5	0.0	55.5	0.0
Kuwait	200.0	0.0	0.0	0.0	200.0
Luxembourg	9.0	0.0	9.0	0.0	0.0
Malaysia	0.1	0.1	0.0	0.0	0.0
Mexico	1.1	1.1	0.0	0.0	0.0
Norway	145.0	3.3	0.0	0.0	141.7
Poland	0.1	0.0	0.0	0.0	0.1
Portugal	0.0	0.0	0.0	0.0	0.0
Qatar	1000.0	0.0	0.0	0.0	1000.0
Romania	0.1	0.0	0.0	0.0	0.1
Russia	10.0	0.0	0.0	0.0	10.0
Saudi Arabia	500.0	0.0	0.0	0.0	500.0
Serbia	0.1	0.0	0.0	0.0	0.1
Singapore	0.1	0.0	0.0	0.0	0.1
Slovakia	0.1	0.1	0.0	0.0	0.0
Slovenia	0.2	0.0	0.0	0.0	0.2
South Africa	1.0	0.0	0.0	0.0	1.0
South Korea	2.0	0.0	0.0	2.0	0.0
Spain	22.8	0.0	0.0	17.7	5.1
Sudan	20.0	0.0	0.0	0.0	20.0
Sweden	10.0	0.0	0.0	0.0	10.0
Switzerland	69.9	5.0	64.9	0.0	0.0
The Netherlands	15.3	0.0	8.2	0.0	7.1
Turkey	200.0	0.0	0.0	0.0	200.0
UAE	200.0	0.0	0.0	0.0	200.0
UK	32.2	0.0	0.0	0.0	32.2
USA	277.0	118.0	84.0	0.0	75.0
World Bank	62.0	0.0	0.0	62.0	0.0
TOTAL	3,512	194	315	477	2,526

Table 3: Disbursement Status by Donor of Support to Gaza pledged at Cairo Conference on Palestine "Reconstructing Gaza"

in USD Million (As of April 24th 2015)

Donor	Support to Gaza	Disbursement of Support to Gaza	Disbursement Ratio of Support to Gaza
Algeria	61.40	36.40	59%
Argentina[1]	2.14	0.00	0%
Australia	13.18	13.18	100%
Austria[2]	8.80	4.40	50%
Bahrain[*]	6.50	5.70	88%
Belgium[3]	7.92	7.92	100%
Brazil[4]	5.00	0.00	0%
Bulgaria	0.06	0.06	100%
Canada	14.66	14.66	100%
Chile	0.25	0.25	100%
China	1.60	N/A	N/A
Croatia	0.40	0.15	38%
Czech Republic	0.75	0.00	0%
Denmark	14.46	14.46	100%
Estonia	1.27	0.00	0%
European Investment Bank[5]	70.00	N/A	N/A
European Union[6]	348.28	140.58	40%
Finland	9.31	9.31	100%
France[7]	10.13	10.13	100%
Germany	63.32	45.09	71%
Greece	1.27	0.63	50%
Hungary	0.16	0.16	100%
India	4.00	4.00	100%
Indonesia	1.00	N/A	N/A
Ireland	3.17	1.27	40%
Italy[8]	23.68	3.42	14%
Japan[9]	61.00	61.00	100%
Kuwait	200.00	0.00	0%
Luxembourg	8.97	N/A	N/A
Malaysia	0.10	0.10	100%
Mexico	1.10	1.10	100%
Norway[10]	144.98	56.21	39%
Poland	0.10	0.10	100%
Portugal	0.03	0.03	100%
Qatar	1000.00	102.00	10%
Romania	0.05	0.05	100%
Russia	10.00	0.00	0%
Saudi Arabia	500.00	48.50	10%
Serbia	0.05	0.00	0%
Singapore	0.10	0.10	100%
Slovakia	0.05	0.05	100%
Slovenia	0.19	0.06	33%
South Africa	1.00	1.00	100%
South Korea	2.00	2.00	100%
Spain	22.80	3.47	15%

Donor	Support to Gaza	Disbursement of Support to Gaza	Disbursement Ratio of Support to Gaza
Sudan[11]	20.00	N/A	N/A
Sweden	10.00	6.69	67%
Switzerland	69.88	35.74	51%
The Netherlands	15.31	15.31	100%
Turkey	200.00	0.52	0%
UAE	200.00	N/A	N/A
UK	32.16	25.65	80%
USA	277.00	233.35	84%
World Bank	62.00	62.00	100%
TOTAL	**3512**	**967**	**27.5%**

[1] Argentina's contribution is in the form of technical assistance agreement to support Gaza which was signed with MOPAD.
[2] Austria's contribution of USD8.8 million is programmed for the benefit- with some minor exceptions- of people living in Gaza.
[3] Belgium's contribution is its 2014 General Fund contribution to UNRWA.
[4] Brazil's contribution is in the form of In-Kind (6000 tons of rice and 4000 tons of beans).
[5] European Investment Bank contribution is in the form of a loan.
[6] European Union contribution includes contribution to UNRWA General Fund pro-rata Gaza for 2014-2015.
[7] France's contribution includes total aid for Palestinian territories for the year 2014 only.
[8] Italy's contribution includes a soft loan to the Palestinian National Authority of EUR 15 million.
[9] Japan pledged USD200 million for Palestinian territories. No specific-pledged amount for Gaza reconstruction. So far, about USD199 million was disbursed of which USD61 million for projects in Gaza, 106 for West Bank and Gaza, 28 million for West Bank and 4.2 million for others.
[10] Norway did not specify the allocation of its total support between West Bank and Gaza. The amount to Support Gaza is an estimate.
[11] Sudan's contribution is in the form of in kind assistance (100 thousand tons of cement and USD3 million of medical supplies).
* Source of data is UNRWA Overall Pledges-Cash to Gaza (EA, Gaza Flash Appeal, and Reconstruction) dated 16 March 2015.

References

Abu-Bader, S., The World Bank, Mimeo, The Effects of Israeli Blockades and Assaults on the Economy of Gaza, 2015.

Anne Bernard, The New York Times, "In Fatal Flash, Gaza Psychologist Switches Roles, Turning Into a Trauma Victim," August 2014.

International Monetary Fund, West Bank and Gaza Report to the Ad Hoc Liaison Committee, May 2015.

Orhan Niksic, Nur Nasser Eddin and Massimiliano Cali, A World Bank Study, Area C and the Future of the Palestinian Economy, 2013.

Palestinian Central Bureau of Statistics, Census 1997, 1999.

Palestinian Central Bureau of Statistics, Labor Force Survey 2014, 2014.

Palestinian Authority with United Nations, World Bank and European Union, Detailed Needs Assessment (DNA) and Recovery Framework, 2015.

United Nations Office for the Coordination of Humanitarian Affairs, "The Humanitarian Impact of Gaza's Electricity and Fuel Crisis," March 2014.

World Bank, Fieldwork interview, Gaza City, November 24, 2008.

World Bank, Investment Climate Assessment, 2014.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WORLD BANK

The World Bank
www.worldbank.org/ps