



Palestinian Economy in Decline and Unemployment Rising to Alarming Levels

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The recent conflict in Gaza will put further stress on an already struggling Palestinian economy with falling income per capita in 2013, projected to contract further by the end of 2014 according to the latest World Bank update on the state of the Palestinian economy. The report spells out the repercussions of the political uncertainty and restrictions on movement and access and recommends remedial actions by all parties.
"In the labor force, one out of six Palestinians in the West Bank and nearly every second person in Gaza were unemployed even before the recent conflict, this is an unsustainable situation, said Steen Lau Jorgensen, World Bank Country Director for West Bank and Gaza. "Without immediate action by the Palestinian Authority, donors and the Government of Israel to re-vitalize the economy and improve the business climate, a return to violence as we have seen in recent years will remain a clear and present danger.
The Palestinian Economic Monitoring report reviews the state of the Palestinian economy and analyzes future consequences if current trends continue and recommends remedial actions by the Palestinian Authority (PA), the Government of Israel and international donors. The report is prepared by the World Bank twice a year to inform the Ad Hoc Liaison Committee (AHLC), a forum of donors to the PA, who are scheduled to meet in New York on September 22.
The deterioration of the Palestinian economy continued in 2014, particularly in Gaza where the situation was dire even before the recent conflict. The average yearly economic growth exceeded 8% between 2007 and 2011 but declined to 1.9% in 2013, and reached minus 1% for the first quarter of 2014. A quarter of the Palestinian population lives in poverty, with the rate in Gaza twice as high as that in the West Bank, as Palestinian businesses were crippled by the restrictions on movement of people and goods. While it is expected from the private sector to play a vital role in creating jobs, the constraints are such that only 11% of formal firms have more than 20 workers compared to 35% in comparable lower-middle income countries.
The Gaza economy entered into recession even before the breakout of the recent conflict which has had a severe impact on all economic sectors in addition to the tragic humanitarian losses. Despite relatively successful efforts by the PA to strengthen its fiscal position, the PA would still face a financing gap in the range of US\$350 million by the end of 2014 even without the additional expenditures resulting from the Gaza conflict.
"Within this fragile socio-political context, economic recovery becomes a priority. This will allow continuity in the provision of services and jumpstart economic activity, which is conflict-affected society, said Jorgensen.
The report lays out actions to be taken including enhanced donor budget support to maintain the PAs fiscal position for the provision of services and sustaining reforms. It is also imperative that the Israeli authorities allow movement of people and goods in, out and within the Palestinian territories. Moreover, the Palestinian Authority should unify and strengthen governance across the West Bank and Gaza.

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