Rapid and sustained Palestinian economic growth will only be possible with a peace agreement. As you all know, the reality is that the Palestinian economy is in its third year of falling per capita GDP. A quarter of the Palestinian labor force is still unemployed, and the Palestinian Authority still has a financing gap of 400 million dollars in spite of their valiant efforts to manage amidst declining donor inflows and unpredictable transfers.

However the lack of a political horizon should not make us sit back and wait. Indeed, there are practical, substantial actions that the parties and the international community can take to improve the economic situation even before final status negotiations. This would not only help Palestinian economic development, but also, if done right, would help build trust that could encourage the peace process.

This is exactly what the World Bank Group’s forthcoming strategy for Middle East and North Africa says: use economic development to further peace and combat extremism.

Building on recent meetings between the ministers of finance, more exchange of information can only be helpful -- not only on fiscal issues, but also related to water, telecommunications and energy. A quick and complete resolution on the size and repayment terms of the debt owed to Israel Electricity Company would be a good place to begin.

Next, the Government of Israel could follow up on the very positive statements about the importance of Palestinian standards of living, finalize and implement agreements related to water and energy; and take steps to facilitate Palestinian access to natural resources in Area C.

The Palestinian Authority has undertaken courageous and impactful reforms to contain the fiscal deficit, lower health referral costs, improve the payments of electricity and control the wage bill. More can be done to deepen the reforms – such as further efforts on domestic tax revenue
generation, reform of the pension system, deepening the reform of intergovernmental fiscal transfers as well as continued reform of the business climate.

For donors, budget support remains essential for providing essential services until the reforms pay off. Donors can also help the Palestinian Authority crowd in private investments in energy and expand their support to water supply and sanitation as restrictions are lifted.

In Gaza, the UN’s mechanism has proven effective for repairs of housing and is currently expanding to larger projects. But only 6% of the necessary materials have entered Gaza, and thus the recovery from this war has been much slower than in the past. Alongside the Government of Israel’s allowing increased entry of reconstruction materials in to Gaza, donors need to deliver on their pledges at Cairo because only a third of Cairo commitments have been disbursed.

Taken concurrently, these actions – measures by Israel, Palestinian reforms, and donors’ support – will help private sector driven growth and generate revenues to strengthen and secure the Palestinian economic foundation.