

المركز الفلسطيني للبحوث ا**لسياسية والمسحية** Palestinian Center for POLICY and SURVEY RESEARCH

The Likelihood, Consequences and Policy Implications of PA Collapse or Dissolution:

The "Day After" Final Report

Khalil Shikaki

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المركز الفلسطيني للبحوث ا**لسياسية والمسحية** Palestinian Center for POLICY and SURVEY RESEARCH

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PSR is an independent nonprofit institution and think tank of policy analysis and academic research. It was founded in 2000 with the goal of advancing scholarship and knowledge on immediate issues of concern to Palestinians in three areas: domestic politics and government, strategic analysis and foreign policy, and public opinion polls and survey research. PSR conducts policy analysis and empirical surveys and public opinion research and organizes task forces, study groups, meetings and conferences. Its work focuses on current public policy issues with a special reliance on empirical evidence as a tool to advance scholarship and understanding.

PSR is dedicated to promoting objective and nonpartisan research and analysis and to encouraging a better understanding of Palestinian domestic and international environment in an atmosphere of free debate and exchange of ideas. PSR is registered as a nonprofit institution in the Palestinian Ministry of Justice.

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The Palestinian Center for Policy and Survey Research (PSR)

P. O. Box 76, Ramallah, Palestine

Tel: +970-2-2964933 Fax:+970-2-2964934 pcpsr@pcpsr.org www.pcpsr.org

Author

Khalil Shikaki is the director of the Palestinian Center for Policy and Survey Research (Ramallah). He is also a senior fellow at the Crown Center for Middle East Studies at Brandeis University. He finished his Ph.D. in Political Science from Columbia University in 1985, and taught at several Palestinian and American universities. Since 1993, Dr. Shikaki has conducted more than 200 polls among Palestinians in the West Bank and the Gaza Strip. His research has focused on Palestinian state building, public opinion, transition to democracy, and the impact of domestic Palestinian politics on the peace process. He is the co-author of *Arabs and Israelis: Conflict and Peacemaking in the Middle East* (Palgrave Macmillan, 2013), with Abdel Monem Said Aly and Shai Feldman. Other recent publications include "The Future of Israel-Palestine: a One-State Reality in the Making," *NOREF Report*, May 2012; "Coping with the Arab Spring; Palestinian Domestic and Regional Ramifications, " *Middle East Brief*, no. 58, Crown Center for Middle East Policy, Brandeis University, December 2011; and *Public Opinion in the Israeli-Palestinian Conflict: The Public Imperative During the Second Intifada*, with Yaacov Shamir, Indiana University Press, 2010.

Preface:

In early 2013, in collaboration with the U.S./Middle East Project (USMEP) and the Norwegian Peacebuilding Resource Centre (NOREF), PSR embarked on an initiative that sought to examine the consequences of PA dissolution or collapse on various sectors of Palestinian political, economic, security and social life. Named the "Day After," the initiative's point of departure was that the PA may collapse or may decide to dissolve itself in the near future under the heavy weight of various financial and political pressures and that Palestinians need to examine the implications of such development on their struggle for independence, state building, and living conditions.

For a little over 6 months, PSR organized 10 teams, each consisting of three experts, academics, business leaders, and former and current ministers and senior public figures. The teams produced 10 papers addressing 10 sectors. Most of the sectors examined were service related, for example health and education, but the papers also addressed institution building, security, Justice system, the impact on Fatah-Hamas relations and the future of the two-state solution. The initiative's purpose and the 10 papers were discussed in 12 workshops in which 115 experts, political figures, and academics participated. The papers were written in Arabic and translated into English. All papers are currently posted on PSR's website: (http://www.pcpsr.org/strategic/papers/2013/nextday.html).

The effort was highly productive in terms of participation and quality of discussion. The participants were mostly experts and policy makers who have spent several years dealing with these exact or similar issues. As planned, the discussion focused on an exploration of the likely consequences of PA collapse and recommendations for steps seen as essential in order to protect vital Palestinian interests. The participants also spent significant time addressing the question of the advisability and likelihood of dissolution and collapse; a conversation that was the original focus of the initiative. Nonetheless, insights gained from this conversation informed the discussion and debate over consequences and recommendations.

The current report is based on the expert papers, workshops/focus groups, interviews, and background research. The report summarizes the main findings, examines the overall policy implications for the PA and the international community, and provides policy recommendations.

PSR is grateful for the support of NOREF and USMEP without which this project would not have been possible. We are in particular grateful to USMEP and its director Henry Siegman for the role they have played in the conceptualization and development of the project. We are similarly grateful for the encouragement and insights of Mariano Aguirre, NOREF's managing director. Henry and Mariano attended some of workshops organized by the initiative and contributed to its discussion. It should be noted that the current project reflects the continued commitment of PSR and USMEP to promoting peace and good governance in the Middle East. Back in 1998, at the behest of the European Commission and the Government of Norway and with the support of the Palestinian Authority, USMEP and the Council on Foreign Relations initiated a study on "Strengthening Palestinian Public Institutions" that aimed at assisting the Palestinian Authority and the international community to improve the efficiency and credibility of the emerging Palestinian self-governing institutions. The author of this report was the coauthor of that report.

PSR

Executive Summary:

Although most Palestinians view the PA as a national achievement, many are debating the extent to which it is currently fulfilling its two main roles: as a vehicle for statehood and as a tool for institution building. This debate reflects growing Palestinian frustration with the pace of peacemaking and growing concerns about the viability of the PA and its ability to enjoy legitimacy and deliver services in an environment that is becoming increasingly inhospitable due to repeated financial crises, loss of electoral legitimacy, and inability to end Fatah-Hamas split and reunify the West Bank and the Gaza Strip. Some fear that the PA might collapse under internal pressure: worsening economic and financial crises leading to greater public agitation resulting in private and public sectors' strikes, demonstrations, and resurgence of armed militias.

Palestinians are also concerned about a possible collapse of the PA under Israeli pressure and sanctions. Most believe that Israel views the PA as serving two important roles: it releases the occupying power from the responsibility to care for those living under its occupation and it shields Israel against the demographic threat, imbedded in the current one-state reality, to its Jewish character. Yet, under certain conditions in which the PA effectively challenges the status quo, Israel might impose sanctions that could, intentionally or unintentionally, lead to PA collapse.

Although not popular at all, some Palestinians think that the PA should dissolve itself in order to force Israel to shoulder its full responsibility as an occupying power. Israel would be forced to choose between two options: the consolidation of a one-state reality--which would then force it to become an apartheid state or grant Palestinians full citizenship-- or the termination of its occupation, granting Palestinians independence and sovereignty.

PA collapse or dissolution might force Israeli policy makers to confront three alternatives: maintain a modified version of the status quo by allowing Palestinians and donor countries to continue to manage service delivery, return to pre 1994 status in which Israel becomes directly responsible for the welfare of the Palestinian population under its occupation, or start a process of limited disengagement in which it consolidates its settlement enterprise in few large settlements blocs while maintaining a military presence throughout the West Bank.

Regardless of the alternative it choses, Palestinians are likely to complicate matters greatly for Israel in an effort to force it to end its occupation. Palestinian reaction to Israeli measures will have an impact on the ultimate solution to the Palestinian-Israeli conflict and the means adopted to achieve it. The two-state framework might suffer a significant blow leading to increased demands for other solutions such as the one-state solution.

PA collapse or dissolution could also deal a significant blow to Palestinian efforts to unify the West Bank and the Gaza Strip, particularly if the former comes under full Israeli occupation and the latter gains greater independence and state attributes. While Fatah's approach to resolving the conflict with Israel will suffer a devastating blow, Hamas' will gain greater credibility allowing the group to gradually regain the strength it lost since the violent 2007 takeover of the Gaza Strip.

PA disappearance will dramatically affect Palestinian life in the West Bank. It goes without saying that the worst domestic consequences are likely to be triggered by the combined effect of the anticipated collapse of law and order and the disappearance of more than 3 billion dollars of public spending. This development will deliver a severe blow to the private sector and will lead to the gradual collapse of the justice system as well as service delivery in most sectors from health and education to communication, water, and energy. Poverty rates, crime and lawlessness

are likely to increase dramatically. Armed militias are likely to take the law into their own hands creating a greater potential for domestic and Palestinian-Israeli violence.

To be able to cope with the new reality, it is recommended that the PA acts today to preempt the worst possible ramifications in the "day after." Doing so will most likely help improve the performance of public institutions regardless of what happens in the 'day after." Steps such as the creation of a government in exile, the creation of independent and autonomous local institutions in the various sectors could provide alternative regulatory agencies when the PA is no longer there. These agencies should be made up of civil society groups, political parties and factions, private sector associations, labor unions, local government representatives and others. The existence of such agencies can go a long way toward minimizing the expected damage.

Final Report

Introduction:

This report examines the potential consequences of the Palestinian Authority's collapse or dissolution on various Palestinian sectors including the economy, security, health, education, communication and others. It also explores its implications for the future of the two-state solution, relations with Israel, and for intra-Palestinian relations, particularly the relations between Fatah and Hamas and the chances for re-unifying the West Bank and the Gaza Strip. But it begins by describing scenarios and conditions that might lead to PA collapse or dissolution, a worrying development that more and more Palestinians and others are concerned about. The report is based on the collective work of a team of about 30 experts, scholars, professionals, and former and current policy makers. Ten expert papers were prepared, commented on, and discussed in 12 workshops by more than 120 participants over a period of six months starting early in 2013.

The report ends with a review of policy implications and recommendations. It addresses a debate on the best means of insuring, in the day-after environment, Palestinian representation, organization and service delivery including the means of creating autonomous institutions that can regulate intra-Palestinian relations. It examines the role of civil society, the role and future of the PLO, outside support, role of local government, Israeli role, and others. The report does not directly address issues that were not covered during this exercise such as the impact on UNRWA and the refugees in general, the potential role of donor countries, the future of the popular non-violence movement, the impact on the legal and practical status of certain areas such as "C", Jerusalem, and the Gaza Strip, and the impact on Jordan.

The interest in the question of PA collapse or dissolution reflects Palestinian frustration with the pace of peacemaking and growing concerns about the viability of the PA and its ability to enjoy legitimacy and deliver services in an environment that is becoming increasingly inhospitable due to repeated financial crises, loss of electoral legitimacy, and inability to end Fatah-Hamas split and reunify the West Bank and the Gaza Strip. Some came to this issue believing that the two-state solution was no longer viable and that the Palestinians need an alternative framework, like the one-state solution, to organize their relations with Israel. For those, the continued existence of the PA represents a major impediment preventing a shift from a two-state to a one-state framework. Others have become frustrated with PA governance both in the West Bank and the Gaza Strip seeing it becoming more repressive, authoritarian and divisive, a PA not worth having. In the wake of the Arab Spring, demands for "regime change" became popular. Sooner or later, many concluded, Palestinians were destined to confront the specter of such collapse or dissolution regardless of the exact scenarios or developments that would lead to such eventuality.

Interests and Scenarios:

For the PLO and most Palestinians, the PA is a national achievement. They see the PA fulfilling two roles: a vehicle for statehood, embodying the aspiration of Palestinians for sovereignty and independence, and a tool for institution building, embodying aspirations for efficient organization and service delivery as well as clean and good governance. Yet, question marks are raised on whether the PA is currently fulfilling these two roles. In fact, skeptics among the Palestinians believe that the mere existence of the PA helps sustain, rather than end, occupation

or lead to statehood. Others believe that the continued existence of the PA serves narrow interests of small but powerful elites in the nationalist movement which benefit politically and financially at the expense of the Palestinian people. Skeptics, however, are too small at this time to rock the boat or change PA direction.

For Israel too, the PA plays two important roles. On the one hand, as a service provider, it releases the occupying power from the responsibility to care for those living under its occupation. On the other hand, as a self-rule agent, the PA shields Israel against the demographic threat, imbedded in the current one-state reality, to its Jewish character. Israel can have its cake and eat it too: maintain the occupation and its rule over the Palestinians while maintaining its Jewish and democratic character, avoiding the demographic consequences of indefinite occupation, and in the meanwhile releasing itself from the burden of caring for the Palestinians. Still, some in Israel worry that if pushed to the corner, the PA might decide to change course and embrace a one-state paradigm leading to the *de facto* creation of an apartheid state, one in which Palestinians emulate the South African struggle for one man-one vote.

For the international community, the PA is the outcome of 20 years of investment on the road to peace and statehood. But the failure of negotiations to produce a peace agreement raises questions about the willingness or the ability of donor countries to continue to fund what seems to be a failing project. Donors are also sensitive to accusations that their policies and PA funding contribute to the consolidation of the *status quo*, or worse, subsidizing Israeli occupation or facilitating Palestinian corruption and authoritarianism. Sooner or later, Western taxpayers will question the wisdom of continued funding of the PA.

PA leaders can, and indeed do from time to time, threaten to dissolve the PA, as Abbas did in an interview with an Israeli TV just after the 2013 Israeli elections. They do so thinking, mostly, that such a threat can influence Israeli thinking in a manner that would enhance the chances for the two-state solution. The logic here is that Israelis worry more about the threat of a one-state solution than the threat involved in conceding a two-state solution. Yet, even if true, this logic is valid, and hence the threat is credible, only if the Israelis believe that the Palestinians are indeed willing to dissolve the PA despite all the inevitable short term damage such a step will generate to their living conditions and national project.

What would happen if the Palestinian threat and the Israeli reaction turned into a "chicken game"? In such a game, one side seeks to maximize its winning chances by taking steps to demonstrate the seriousness of its threat while the other side seeks to demonstrate that the threat is empty. PA leaders might find themselves being forced to take irreversible steps in order to give their threat an added credibility, such as a PNC vote to dissolve the PA at a certain date if no agreement on statehood, or settlement freeze, is reached. Israel might ignore the Palestinian step, thus calling the Palestinian bluff. PA leaders might find themselves forced to dissolve the PA or face humiliation and loss of credibility.

A different chicken game dynamic might ensue if PA-Israel relations deteriorate. For example, the PA may seek, as evidenced by its UN bid starting in September 2011, to strengthen, rather than dissolve, the PA in the hope of challenging Israel more effectively in the international arena and thus increase the cost of continued occupation. The logic here is that Israel would be hurt by such a step but that it will not be willing to severely punish the PA for such behavior for fear that such a punishment might lead to PA collapse. In other words, Palestinians may calculate that Israel's interest in the PA's continued existence provides them a certain room for maneuver; that the risks entailed in hurting Israel diplomatically are tolerable.

Israel, US Congress, and others may calculate that the PA is likely to cease its diplomatic offensive in the face of calculated financial sanctions. Sanctions are likely to increase when the PA steps are seen as more damaging to Israel. The more defiant the Palestinians become, the

more hurting the sanctions. The outcome, here too, might be unintended, leading to PA's gradual collapse.

The PA may collapse due to internal factors. One can think of many scenarios: worsening economic and financial crises, failure to pay salaries for a prolonged period, failure to end West Bank-Gaza Strip split, loss of electoral legitimacy, and others might lead to greater public agitation resulting in private and public sectors' strikes, demonstrations, and resurgence of armed militias in refugee camps, that could snowball into wide and popular protests, during which, security and state centers could be attacked. The potential for widespread intra-Palestinian violence, while not great, cannot be discounted. In this context, if Israel decides to carry out preemptive military steps aimed at seizing PA arms in order to prevent them from falling into the hands of armed militia, PA collapse would be only a matter of time. Similarly, a crisis within Fatah might lead to greater fragmentation affecting the security sector and leading to a rise of war lords and the collapse of law and order.

PA's Deliberate Dissolution:

The idea of dissolving the PA through a Palestinian decision has been discussed by Palestinians in more than one occasion. It was first brought up in the aftermath of the Israeli re-occupation of the West Bank during the second intifada. It was brought up again in 2010 in the aftermath of the failure of the Obama Administration to pressure Israel to freeze settlement construction or accept previously negotiated terms of reference for peace talks. It seemed to Palestinians that, given the prevailing peace and quiet enjoyed by the Israelis, Israel was becoming comfortable with the status quo. Indeed, in that year, an Israeli newspaper (Haaretz, 29 November) reported that the number of Israeli soldiers deployed in the West Bank was the lowest since the first Intifada in 1987. Some Palestinians blamed themselves for that state of affairs with many questioning the wisdom of continued security coordination with Israel, and indeed the existence of the PA, in the absence of progress in the peace process. Some saw a need to dissolve the PA to force Israel to take full responsibility for its occupation. In December 2010, Abbas said in a television interview that if Israel continued to build settlements on occupied Palestinian land in the West Bank the PA would be disbanded: "I cannot accept to remain the president of an authority that doesn't exist," he said. Abbas responded to the re-election of Netanyahu in early 2013 by threatening to dissolve the PA and to call on the Israeli prime minister to re-occupy the West Bank.

Yet, interviews conducted by PSR in 2013 among dozens of senior Fatah and PA elite found little support for such dissolution. Similarly, surveys conducted by PSR during the past three years show a majority of Palestinians opposed to the idea of dissolving the PA. There is no doubt that in fact the PA is seen by most Palestinians today as an asset to be maintained. This will remain the prevailing mainstream attitude as long as the goal of the Palestinian national movement is a two-state solution and as long as the PA continues to be seen by most Palestinians as the vehicle to get there. PA dissolution gains momentum under two conditions: when Palestinians conclude that Israel will be more willing to concede Palestinian independence if confronted with the actual, rather than theoretical, consequences of PA collapse, or alternatively when they conclude that independent statehood is no longer viable. It gains further momentum when Palestinians conclude that the PA helps consolidate the status quo of continued occupation and settlement construction and that it is becoming an impediment to gaining Palestinian rights by other means, including a fight for equal rights in a single state.

Despite strong public perception that the two-state solution is no longer practical due to continued settlement construction, a majority of Palestinians continues to support that solution. Therefore, for the time being the stronger impulse among the nationalist elite of all factions is not to dissolve the PA. To the contrary, Palestinians are considering various ways in which the

PA becomes an asset in changing the status quo: Fayyad did so with his unilateral two-year state building program, Abbas in his UN bid, and various factions and popular groups in their non-violent resistance efforts. In these approaches, the PA consolidates its status and becomes stronger, albeit by different means, thus enhancing its capacity to serve as a vehicle for statehood, one that should be strengthened rather than weakened or put in a risk of collapse.

But Palestinians recognize that the cost of challenging the status quo by any of the above mentioned means is the likely imposition of financial and other sanctions by Israel and the US. Such sanctions could weaken the PA and might unintentionally bring it to collapse. For now, however, the Palestinian leadership seems to want to strike a balance, one that would strengthen its statehood initiative but without inadvertently risking PA collapse by pushing the Israelis and US Congress to impose crippling sanctions.

Israeli Reaction and Palestinian Response:

What would the Israelis do if the PA collapsed or dissolved itself? Israeli policy makers will have at least three options: maintain a modified version of the status quo, return to pre 1994 status, or start a process of limited disengagement. Under the first option, Israel would not impose direct control over Palestinian in civil affairs. Instead, it would allow the Palestinians and the international community to continue, under a modified self-rule arrangements, to deal directly with each other and together maintain the welfare of the civilian population. Without the security coordination they currently maintain with Palestinian security forces, Israeli army and security forces would most likely considerably increase their presence in Palestinian areas and take full and direct responsibility over internal security. In cases involving the use of firearms, Israeli forces might also have a role in maintaining order. Wishing to avoid a situation where it would have to care for the civilian population under its occupation, Israel might encourage Palestinians to create new institutions with the capacity to deliver basic services. The current functional arrangement would therefore be maintained: Israel would continue to have full control over area C and full security control over areas A and B. These arrangements would most certainly involve continued Israeli control over population registry as well as control over movement of West Bank Palestinians across the borders to Jordan.

This option however might not be feasible. If PA disappearance was the result of a Palestinian deliberate decision to dissolve it, the motivation in this case would be to force Israel to make a decision: either end the occupation or take direct responsibility for the occupied territories. It is highly unlikely that in such a case the Palestinians would want to maintain alternative institutions to those of the PA, let alone cooperate with the Israelis in creating them. Instead, Palestinians might seek to force Israel to either deepen its occupation, reverting to the situation that prevailed before 1994, or change its policies, by seriously negotiating the end of its occupation or unilaterally withdraw from most of the West Bank.

But it remains unclear how Palestinians would behave if PA collapse came as a result of external or internal pressures. Given the prevailing attitudes in favor of building and strengthening public institutions as the means to end the occupation and gain independence, a process that dates back to the first intifada, it is likely that Palestinians will indeed seek to create alternative institutions to those that have collapsed. The PLO, in this case, would most likely seek to wage a full-scale diplomatic warfare against Israel using Palestine's enhanced status as a UN observer state while supporting domestic state building efforts at home. Inside the occupied territories, and despite these state building efforts by Palestinians and international donors to maintain a reasonable level of service delivery, it is likely that high levels of instability, violence, and lawlessness will prevail. This expected instability might force Israeli to re-examine its options.

Although less likely than the first option Israel might alternatively decide to assume full responsibility over the occupied territories. If it does take this path it will be doing so in face of strong international opposition and at high domestic financial and political costs. Furthermore, Palestinian response will most likely be a mixture of civil disobedience and large scale violence. The one-state reality prevailing today will be enhanced considerably with many Palestinians tilting toward replacing the two-state approach with the one-state one. Palestinians would no longer be fighting for independence and sovereignty; instead, they would be launching a campaign against apartheid with the full implications of a South African model.

The third option is also less likely than the first one, but Israel might still find it less damaging than the others. In this alternative Israel would partially disengage from parts of the West Bank and evacuate many of its isolated settlements but without altering its army deployment in the occupied territories. In order to appease the settlers and its right wing constituency, Israel, now seeing itself free from its Oslo obligations, might annex its large settlements blocks and large parts of the area C, including parts of the Jordan valley. Israel might take one further step: it might announce its willingness to unilaterally end its occupation of the parts it did not annex in return for an international acknowledgement that it is no longer an occupying power and that once its army withdraws it would no longer have obligation to the civilian population. If the Israeli army does indeed withdraw from those parts, it might still maintain the right to return for short incursions in order to address specific security threats such as the use of rockets against Israeli targets.

Palestinians are likely to welcome any settlement evacuation, unilateral or by mutual agreement, and to use the opportunity to strengthen their state building efforts. At the same time they are likely to continue to wage diplomatic warfare to force Israel to agree to full withdrawal. Many Palestinian factions are likely to interpret the Israeli unilateral evacuation of settlements as a victory for the resistance and to press harder to force a withdrawal of the Israeli army as well. If Israel annexes parts of the West Bank, Palestinians are likely to intensify their diplomatic campaign to isolate it internationally. If Israel pulls out its army from parts of the West Bank in order to declare end of occupation, it is unlikely that the PLO would re-establish the PA or impose direct control over those parts. Instead, Palestinians are likely to consider occupied the whole area that came under Israeli military control in 1967. It is likely that areas evacuated by the Israeli army, now fully under the control of armed groups, would be used as a staging ground to launch rocket and other military attacks against Israelis in Israel and the annexed areas.

Implications for the Two-State Solution

If the PA collapses or dissolves itself, it means Palestinian-Israeli negotiations have reached a dead end; the two-state solution may no longer be achievable. Now, without the PA as a partner, the prospects for that solution are even dimmer. What would the Palestinians do? Would they still insist on that solution or will they explore other options?

Although many Palestinians in the "day after" will probably pay greater attention to the one-state solution, it is not at all evident that they will quickly abandon the two-state solution. PSR's polls, and interviews conducted among members of the nationalist elite, indicate strong commitment to the state-solution even under conditions of PA collapse or dissolution. These attitudes are driven not by the expectations that such a solution is practical or feasible. Instead, they are driven by a strong nationalist sentiment that views independence and sovereignty as the most vital nationalist goal. Although the interest in dissolving the PA might be driven, in part, by the belief that the two state solution is no longer achievable, it might also be driven, as indicated earlier, in part, by the desire to send Israel a message that the two alternatives to the two-state solution, the continuation of the status quo and the one-state solution, are much costly to it. The means to

achieve national independence, i.e., negotiations, might be dead-ended, but not necessarily the goal itself.

The interest in the two-state solution is likely to be driven also by the fact that the international community supports it and views it as the most appropriate solution to the Palestinian-Israeli conflict. Palestinians will need to rely on that support in the "day after" if they are to be able to wage an effective diplomatic warfare against Israel and to find means to continue to deliver basic services to the public. Having invested about 20 billion dollars in the way to reaching that solution, the international community might not be willing to invest in yet another untested approach to ending that conflict.

Still, there is no doubt that support for an alternative approach, most prominently the one-state solution or a version of it, will gain momentum among Palestinians. Today about 30% of the public support the idea of "one-man, one-vote" in which Palestinians and Israelis enjoy equality in one state. With negotiations failing and the PA out of the picture, it is likely that calls for this solution will gain momentum and public support for it will increase. Non-Fatah PLO factions, such as the PFLP, might in fact openly endorse it. Support for the idea will increase particularly among the youth and the most educated: those who did not grow up in the heydays of the national movement of the 1960s and 1970s. Tactical support for the idea, with the hope that Israel will fear it more than it fears a two-state solution, will probably increase generating further interest in the one-state solution.

As importantly, the dynamics of the day after, the Israeli reaction and Palestinian response, will also play a role in determining the fate of the two-state solution. An Israeli decision to disengage from the Palestinians will create dynamics different from those generated by a decision to fully re-occupy the West Bank. The first encourages two-state impulses while the second does the opposite by consolidating the current one-state reality.

Fateh, Hamas, and the Palestinian Split:

PA disappearance could deal a significant blow to Palestinian efforts to unify the West Bank and the Gaza Strip, particularly if the former comes under full Israeli occupation and the latter gains greater independence and state attributes. While Fatah's approach to resolving the conflict with Israel will suffer a devastating blow, Hamas' will gain greater credibility allowing the group to gradually regain the strength it lost since 2007 violent takeover of the Gaza Strip.

It goes without saying that a PA collapse will signal a weaker Fatah, one that is unable to protect its control over the PA and/or to implement its nationalist agenda in ending occupation and building a state. Fatah, the mainstream nationalist movement, the backbone of the two-state solution, and the secular leader of Palestinian state building will find itself having to admit failure of its approach.

Hamas, Fatah's only rival, stands to gain from such development. It is likely that it would therefore seek to tighten its control over the Gaza Strip, the only remaining Palestinian semi-state entity. Hamas is also likely to declare its government in the Gaza Strip as the only Palestinian government representing all Palestinians. But without West Bank transfer of monthly payment to the Gaza's public sector, particularly given the current tense relations it has with the Egyptian government, Hamas will face very difficult financial challenges to its efforts to gain greater control. To gain greater credibility, Hamas might allow other factions, including Fatah, to join in its government. Ultimately, a greater Hamas control over the Gaza Strip will leave little room for nationalist-Islamist reconciliation. The West Bank-Gaza Strip disunity is likely to be

consolidated. New ideas of unification, this time along the lines of federation or confederation, might gain greater attention.

In the meanwhile, Hamas is likely to take advantage of the vacuum created in the West Bank to strengthen its role and expand its various social, political, and military activities. With Hamas no longer under a PA crackdown and with security conditions in the West Bank deteriorating, it is likely that the Islamist group will be a central player in the escalatory process. Indeed, a competition between Fatah and Hamas is likely to ensue and fuel the violence. Armed attacks on Israeli soldiers have in the past contributed to increased popularity to those committing the attacks. With its armed capacity and popularity restored Hamas would be in a better position than ever to gain ascendance in the West Bank.

In the larger Palestinian context, Hamas is likely to utilize its improved position to seek to control the PLO. Many of the PLO's old guard will probably be forced out of leadership positions as more assertive and younger nationalists will seek to replace them. But the weaker nationalists will probably find it more difficult than ever to resist the Islamist advance. In order to protect its interests in the PLO, Fatah's young guard might turn to more radical politics in order to compete with the Islamists, perhaps putting an end to decades of moderation and accommodation with international legitimacy. Leftist nationalist groups, such as the PFLP, now probably stronger, might push harder for an abandonment of the two-state approach in favor of a one-state solution, now basing Palestinian struggle against occupation as one against Apartheid.

Domestic Consequences and Recommendations:

What are the likely domestic fallouts of a PA collapse or dissolution? And what can Palestinians do to mitigate some of its worst negative consequences? It goes without saying that the worst consequences are likely to be triggered by the combined effect of the anticipated collapse of law and order and the disappearance of more than 3 billion dollars of public spending. This development will deliver a severe blow to the private sector and will lead to the gradual collapse of the justice system as well as service delivery in most sectors from health and education to communication, water, and energy. Poverty rates, crime and lawlessness are likely to increase dramatically. Armed militias are likely to take the law into their own hands creating a greater potential for domestic and Palestinian-Israeli violence.

Though beyond the scope of this paper, the fallouts are not likely to be restricted to domestic matters; regional and international consequences are likely to be felt soon after PA collapse or dissolution. For example, demand for immigration outside the West Bank will dramatically increase. Jordan might view such developments as posing significant security and demographic threats forcing it to reassess its relations with Israel and the West Bank. Egypt too might find itself having to reassess its current policies regarding the Gaza Strip in order to be able to meet greater demands for humanitarian, economic, and political support. Given the new unpredictable and unstable environment, donor countries will have to reassess their role in the peace process, Palestinian institution building and service delivery, as well as in matters of humanitarian intervention.

(1) The Economy:

Economically, the most dramatic change in the day after will be the disappearance of public spending, most significantly the public sector payroll and public investment. A further complication will be the termination of 1994 Paris Economic Protocols which will negatively affect trade arrangements, clearance transfers, financial/banking matters and labor issues. These developments will trigger several others:

Increased poverty: Although a humanitarian crises in unlikely due to the likely intervention of Israel and the international community, poverty rate is expected to increase noticeably and to include segments which were previously over the poverty line. The rate could reach record levels of more than 60%. The PA currently provides more than \$100 million as part of social support projects to about 100,000 disadvantaged households through the Ministry of Social Affairs. Direct and indirect financial support (\$200 million) is also provided to families of martyrs, the wounded and prisoners, besides covering medical treatment costs in local, Israeli and Arab hospitals for Palestinian patients from the West Bank and the Gaza Strip. Cost of medical treatment abroad in 2012 alone is estimated at \$40 million, and it is likely that many households and beneficiary groups would be affected by the dissolution of the PA and the termination of assistance programs. Consequently, the range of poverty would expand to include families which previously benefited from assistance and relief programs, poverty rates could reach up to 60%.

Role of the service sector: the contribution and role of the service sector is likely to diminish due to the collapse of civil and military institutions, thus ending the need for most of those who work in those sectors. It is expected that the share of the service sector of GDP would recede to pre-PA levels (approximately 25%). It is expected that such a decrease would be in favor of the other sectors, such as the agricultural sector, which would constitute a major refuge for families who have lost their main source of income. In some cases industrialists might return to traditional local crafts to overcome the decreased consumption. In others, investors will take their business to Jordan and other countries.

The public finance sector: it is expected that there would be a halt in all or most sources of finance, whether domestic or foreign. Direct tax income, especially the income tax, would be immediately frozen due to the absence of tax collection departments. Palestinian companies and persons would refrain from paying their indirect taxes, especially the VAT. Israel would halt its transfer of tax returns to the Palestinian side, which is currently worth 1.5 billion USD per year. International aid is likely to be slashed significantly with the remainder focusing on humanitarian needs.

<u>Job Sector</u>: more than 100,000 public servants would be under risk of termination from their jobs as a result of the PA's dissolution, and the lack of need for the services provided by the ministries and institutions in which they work. Unemployment rates would reach unprecedented levels (Over 40%). Search for work and other services will generate great interest in immigration to other countries with Jordan receiving significant inflow.

<u>Banking Sector</u>: Public servant borrowers' ability to repay their debts would be affected, which would in turn affect the banking sector which would have to carry the burden of unpaid debts. As of 2012, the PA had a total debt of 1.115 million USD owed to banks operating within the Palestinian territories. The inability to pay back these debts, along with the lack of any guarantees from the international community, would put these banks at major risk, and threaten their ability to function and provide services.

<u>Work inside Israel</u>: it is likely that Palestinian demand for work inside Israel would increase considerably, forcing the Israeli authorities to open up its job market in an effort to prevent an immediate slide toward violence and a humanitarian crisis.

<u>Gaza Strip</u>: the Gazan economy will immediately lose its share of public spending from the government in Ramallah, which totals 1.2 billion USD, split between public servants salaries, social aid, energy bill, as well as some development projects. This will be followed by an increase both poverty and unemployment rates, and would lead to a

dramatic decline in GDP and disruptions in public services. The government in Gaza will have no alternative but to focus on the integration of the Gazan economy it that of the Arab and Muslim Worlds through Egypt.

<u>Diaspora</u>: Since its inception, the PA has replaced the Palestinian National Fund of the PLO by undertaking the responsibility for spending on social services for Palestinians in the Diaspora, especially those living in refugee camps. Thousands work in PLO institutions, embassies and representative offices. PA disappearance would lead to a massive loss of resources for these institutions. As a consequence, the PLO would face severe economic difficulties if it is to regain its previous role and undertake financial responsibility for the Palestinians in Diaspora.

Recommendations:

In order to manage some of these repercussions the Palestinians need to find an alternative regulatory agency, one that would allow them to continue to rely on themselves and maintain a reasonable level of institution building. Ideally, the PLO should create this agency which could be a government in exile with links to an autonomous West Bank economic institution made up of relevant civil society groups, political factions, private sector associations, labor unions, and local government representatives. In the meanwhile, it is recommended that the PA begin today to search for means to strengthen Palestinian capacity in the economic area. While these means are meant to help Palestinians deal effectively with the "day after" worries, it is believed that can also improve Palestinian economic performance today.

In this regard, it is recommended that the PA adopt a new financial policy, one that would seek to increase in local revenues, either through expanding the local economy's capacity, or through improving tax collection. The PA should also adopt austerity in public expenditure, attract emergency Arab and International aid, and repair distortions in the labor market.

It is recommended that Palestinians should reduce dependency of the Palestinian economy on that of Israel, and progressively develop economic and trade relations with the Arab world. The PA should generate greater interest and support for local products and provide local producers with the means of survival and resilience. In this regard, it should specifically support the agricultural sector by encouraging and supporting the role played by agriculture cooperatives that help Palestinian farmers survive and grow. It should also offer temporary protection to new national industry and provide tax incentives not only for big businesses but also for small and medium businesses. Focus should be placed on production that meets the needs of the local market rather than that of the foreign market, i.e. to adopt the policy of imports substitution rather than exports increase.

The PA should support service and social welfare institutions which help the marginalized and the poor. In this regard, social safety and social aid networks intended for poor families are considered of immediate priority and are necessary for maintaining, at minimum, the cohesion of the social fabric, especially in the light of the growing numbers of the poor due to the expected deteriorating socio-economic conditions.

(2) Internal Security:

Changes in the security sector are likely to be dependent on the nature of the scenario of PA collapse or dissolution. In all cases, the West Bank will witness significant chaos and the collapse of law enforcement. Israeli long term military presence in Palestinian cities and towns will be greatly expanded. Armed factions and resistance will gain momentum. Groups, currently weakened by PA crackdown, such as Hamas, will regain the initiative. Jordan relations with the West Bank will go through rough times.

PA <u>collapse</u> as a <u>result of external sanctions</u> will lead to an immediate Israeli takeover of all matters related to security including a wide scale preemptive disarming of the PA security services. Seeking to prevent arms falling into the hands of armed groups and to prevent some of the security formations from participating in violent action against Israel, such action could lead to widespread takeover and destruction of PA's security infrastructure.

If PA collapse was the <u>outcome of great domestic strife</u>, such collapse will most likely exacerbate the situation further resulting in widespread chaos, lack of any central control, and the near total breakdown of law and order. In this environment, armed neighborhood gangs will emerge aided by a wide availability of arms. Israel is likely to intervene to prevent the use of arms against it. Armed Palestinian factions are likely to engage in armed confrontation with Israeli forces.

An <u>organized dismantlement</u> of the PA would, on the other hand, enable some degree of control over armed chaos. Yet, even in this scenario, significant problems are likely to persist, such as the lack of central control, and the possibility that weapons could be used in personal and domestic disputes, and that arms will fall into the hands of armed factions.

<u>Collapse of internal security</u>: In all cases, the absence of PA security services will create a vacuum that will generate great instability. Without a central government, individuals, families and groups are likely to seek ways to protect themselves by resorting to traditional values and means of conflict resolution. Although political factions will try to fill the vacuum, it remains uncertain the extent to which such factions will have public credibility or the capacity to provide protection. Private security companies, in operation today in the West Bank, might also seek to fill the vacuum and continue to provide security to their clients, increasingly playing the role of private militias.

Return of armed struggle: The absence of the PA, and the ensuing collapse of diplomacy and the two-state solution, will also affect Palestinians' mind set. Calls for a return to total armed struggle will replace calls for negotiations and a political settlement. An outbreak of a third intifada might become inevitable. With the collapse of security coordination, Israeli forces and settlers will face new threats and will find themselves in daily direct confrontations with the Palestinian population and armed factions. In an effort to prevent a collapse to its standing among Palestinians and to maintain some legitimacy, a new and younger leadership in Fatah might find it useful to adopt armed resistance. Indeed, Fatah and Hamas might compete for the public's approval by escalating their resistance against the occupation.

Impact on Jordan and Lebanon: The country most affected by PA collapse will be Jordan. Population movement from the West Bank to Jordan and sympathy of Jordanians of Palestinian origins with West Bankers are likely to heighten threat concerns in that country. Jordan will probably limit West Bankers access to its territories in the hope of shielding itself from Palestinian turmoil. The inability of the PA and the PLO to pay wages for Palestinian armed forces in Lebanon will weaken their control over these forces allowing them to fall victims to more extreme groups and ideologies with greater security threats to that country.

<u>Hamas</u>: With PA crackdown lifted, Hamas in the West Bank will immediately reorganize itself and its activities. It will probably manage to quickly rebuild its military capabilities. It might then work on escalating its resistance against Israel in the West Bank, to win more legitimacy and popularity. In the Gaza Strip, Hamas' behavior will probably be different. Although the Islamist group will not be able to keep Gaza immune from the events of the West Bank, it will probably seek to maintain the ceasefire arrangements it

currently has. Nonetheless, the deteriorating economic conditions, generated by PA's collapse and its inability to pay salaries to the public sector, will most likely affect the internal security in the Gaza Strip. The challenges to Hamas's control will probably increase.

Recommendations:

For the Palestinians to be able to rely on themselves and manage their security environment will require the adoption of PLO reforms that would allow the integration of all factions under its umbrella. A government in exile, formed by the PLO from all factions, could provide an organized leadership that can enjoy considerable public confidence and help contain the potential threats of armed gangs and internal infighting in the occupied territories. Local security committees, formed from all factions, could be established in every neighborhood, town, and village. These committees can be entrusted with maintaining order and enforcing the law.

In order to contain trends toward violent resistance to occupation focus should be placed on providing a non-violent alternative. The government in exile could form local popular resistance committees in friction and other areas and provide them with political support. Popular resistance can help enable Palestinians to remain steadfast in their land. Local government councils can be empowered, through political and financial support, to act as civil defense authorities. Former security officials can be attached to local councils to lead such authorities.

In order to protect the arms of the security services and prevent them from falling into the hands of armed groups, the PA can consider storing them outside known military compounds.

(3) Education:

Dramatic economic and security changes accompanying the PA collapse will probably have grave consequences for all social services including education. About 1,145,000 students and 62,000 teachers working in 2751 schools and 214,000 students enrolled in 49 colleges and universities will be directly affected. The nature of the Israeli intervention in the educational process will constitute one of the most important factors affecting the educational process. Other consequences will be the outcome of shortages in resources, the absence of regulatory agencies, and the general domestic collapse of law and order.

Supervision and Regulation: It remains uncertain who will control the educational process in the aftermath of PA collapse or dissolution. One possibility is that Israel will resume its pre-1994 role thereby imposing full control over public education. Public resistance of such Israeli attempts might lead to great interruptions in the educational process. Alternatively, Palestinians, with Israeli acquiescence, might create new regulatory institutions, such as a Council for Education. Lack of resources and enforcement capacity however might greatly reduce the efficacy of such intervention. If neither the Israelis nor the Palestinians are willing or able to assume control, an international intervention might be envisaged. Such intervention might provide local Palestinian councils and organizations technical and financial resources facilitating a partial resumption of the educational process.

<u>Interruptions</u>: In most cases, regardless of who controls the education sector, it is expected that educational institutions will be subjected to closures and curfews by the Israeli military leading to a dysfunctional educational process for long periods of time. Universities and colleges might be closed by the Israeli authorities for long periods of time in order to prevent them from becoming platforms for resistance against occupation as happened during the years of the first intifada. Students, out in the streets, will

demonstrate and protest subjecting themselves the danger of being arrested, injured, or killed.

<u>Lack of resources:</u> With the official role of the ministries of education and higher Education disappearing, an educational year might be lost. The inability to pay salaries, conduct official exams, such as Tawjihi, and print 14 million textbooks will be negatively affected. In 2012, the PA education budget stood at 2,3 billion Shekels of which 80% was allocated for salaries. Teachers will not be paid and university students will not be able to pay tuition. It is expected that the dropout rate among school and university students will increase dramatically, particularly among girls. External support, when it comes, is expected to arrive late and be insufficient.

Recommendations

Palestinians will have a greater chance of maintaining a functioning educational system if they remain in control of the process. It is recommended that the PLO or its government in exile establish an educational council whose responsibility is to oversee all relevant educational needs, such as regulation and fund raising. The PLO should delegate authority to local councils and empower them to regulate the educational sector regardless of the Israeli stands. The PLO should seek UN support in order to discourage Israeli attempt to take over control over the education sector.

The PA should conduct simulation exercises with the aim of preparing for the day after. In doing so, it should explore potential roles for local councils, factions, popular committees, local NGOs, and other regulatory agencies. Universities and colleges should draft plans for use of the internet for educational purposes as means of mitigating the consequences of Israeli intervention, particularly closures.

(4) Health:

PA's collapse or dissolution will have significant ramifications for the health sector with direct effects on Palestinian daily life. Experts predict massive disruptions that will be made worse by the expected collapse of law and order. Yet, the extent of the damage to the sector and the resulting effects on the population will depend on the nature of the political developments that will follow the disappearance of the PA and the identity of the main regulating agency/service provider that will replace the PA.

The PA's health ministry and UNRWA are currently the main service providers in the health sector. The PA is also the main regulator of health service. NGOs participate in providing primary, secondary and tertiary medical services. The military medical services provide medical health services for those in the Palestinian National Forces. The Palestinian Red Crescent Society, a PLO affiliated organization, provides ambulance services, as well as administers many primary health care clinics and rehabilitation centers. The private sector, which has grown rapidly in recent years, provides medical services in different levels.

Reports of the National Health Accounts for 2010-2011, issued by the Palestinian Central Bureau of Statistics and the ministry of health in February 2013 point to an increase in total expenditure on health in Palestine during the year 2011 from all institutional sectors. The total spending on health in 2011 reached 1.2 billion US dollars in comparison with 1.07 billion in 2010. PA share of spending stood at 35% in 2011 while household spending stood at 43%, and that of the NGOs at 19%. The health ministry spent more than 0.35 billion US dollars, of which 47% went to salaries. Health ministry's staff reached about 14,000 employees, divided between doctors, pharmacists, nurses, technicians and administrators.

Loss of vital services: Since the PA is the only provider of vital but unseen health services, such as precautionary health services -- vaccination for children and immunization against infectious and transmissible disease, and testing for genetic diseases, its disappearance will most likely lead to grave consequences for children's physical and mental health. Similarly, the PA is the only provider of services related to environmental matters such as those related to drinking water safety, safety of food, and a materials control system ensuring their safety against smuggling or forgery, and testing them for human use. As well as the draining of swamps and spraying of pesticides to prevent the breeding of flies, mosquitoes, and sand flies whose breeding presents a danger on the health of the environment and causes different diseases such as intestinal infections, children's diarrhea, food poisoning, Leishmaniasis, and Brucellosis.

Capacity of Civil Society: Although Palestinian civil society gained significant capacity and experience in providing health services under Israeli occupation, the creation of the PA have diminished those gains. Since the advent of the PA many of civil society's health organizations had to rely on it or to change focus of their activities. At the same time efforts to implement cooperative integrative cooperation between the two sides met little success. This fact will probably make it difficult for these organizations to shoulder some of the important responsibilities currently assumed by the PA. The most difficult problem to overcome will be related to resources to pay salaries, as public health sector employees will find themselves without jobs, run hospitals and clinics, and provide medicine. Similarly, civil society will most likely lack the capacity to care for patients who currently receive medical assistance from government facilities and cannot afford similar services in the private sector. Similarly, it is likely to lack the capacity to care for those in need for special treatment, such as cancer and Thalassemia patients and those who need blood dialysis.

Role of Israel: An Israeli assumption of responsibility over the health sector, through the return of the Israeli Civil Administration, will most likely limit the effects of PA disappearance on essential services. In this scenario, it is expected that the public medical staff will remain in its current work. Similarly, civil society organizations will most likely continue their work in a manner not greatly different from the way they did before the arrival of the PA in 1994. NGO's work is expected to be supplementary, focusing on providing services for the poor, with funding and other support coming directly from the international community. The Red Crescent Society is expected to continue to provide emergency aid services and the Red Cross is expected to continue to provide logistic support and funding.

Role of factions and civil society: The assumption in this scenario is that Israel, preferring not to assume direct responsibility, would step aside and allow other actors to fill the vacuum. Political factions, in conjunction with civil society organization, are likely to do so by providing emergency and humanitarian medical services and relief. They might also assume *de facto* control over public health facilities such as clinics and hospitals. Health sector employees, particularly those associated with political factions and civil society organizations, are likely to continue to work despite lack of payment.

<u>Violence and chaos:</u> The assumption here is that the prevailing security conditions will not allow an easy management of the health sector. This worst case scenario might be driven by lack of interest on the Israeli side in assuming control over the health sector coupled with in-fighting among rival armed groups. Attempts to gain political supremacy by one or more factions, by imposing control over social services, might lead to Palestinian paralysis and worse, in-fighting and greater pain and suffering. Public health facilities falling under the control of various armed groups might have a negative impact on the supply of international donor support for the sector as a whole.

Recommendations

As with education, Palestinians will have a chance to preserve basic health services if they take matters into their own hands and maintain control over this sector. In this case, it will be essential for the PLO to provide leadership by creating a regulatory agency, an independent health council that enjoys political consensus and provides professional guidance. The council should promote stronger partnership between those assuming responsibility for the public sector with civil society organization and popular committees. Similarly, it should promote all forms of public and private partnerships. All health institutions should be members of this organization which should be able to raise its own funds to meet local needs for medical services. A comprehensive medical insurance law, one that can anticipate some of the worst consequences in the day after, should be prepared to help provide answers and facilitate the building of partnerships between the various likely service providers.

Efforts should be made today to decentralize medical service management. Decentralization can help in reducing the severity of life in the health sector. Such efforts should encourage the assignment of a bigger role for municipal and rural councils and bring about greater participation in decision-making, giving these councils an enhanced supervisory and administrative role.

Similarly, efforts need to be made today to prepare civil society to play an important role in managing health facilities and prevent the collapse of the health system. Local committees and civil councils in each governorate can play such a role in coordination with political and factional-based bodies. In particular, civil society organizations should focus on insuring the availability of critical free medical services, such as those related to mother-child services, services for long term diseases such as diabetes, high blood pressure, and heart diseases.

(5) Communication:

The Palestinian communication sector is run mostly by the private sector. Therefore, it is expected to do better than other sectors in surviving the collapse or dissolution of the PA. Indeed, Israel already controls much of parameters of the sector as the Oslo agreement gave the occupying power total control over international telecommunication gateways, the electromagnetic field (frequency spectrum), the telephone numbering plan, the control over access to areas labeled as "area C", and control over the import of equipment. The role of the Ministry of Telecommunication and Information Technology (MTIT) is confined to granting licenses and regulating the market. It regulates prices and tariffs of existing telecom companies and issues licenses for providers of telecom services. The Government Computer Center, part of MTIT, manages ministerial domain names in the West Bank. Gaza government domain names are managed through the Gaza GCC which is under the control of the Hamas Gaza Government.

Although Palestinians have in recent years made some politically significant progress, such as establishing their own international dialing code, an internet domain name (.PS), radio stations using FM frequencies, and TV stations using UHF frequencies, most of these achievements were made in areas managed by private sector. The challenge for this sector will be in finding ways to preserve those gains. The postal services, which are managed by the PA, have made no advances in services. In fact, those services witnessed some setback after the establishment of the PA, partly due to the fact that the Oslo agreement rendered the Palestinian post office as a subcontractor to the Israeli one.

<u>Disruption of services</u>: Palestinian telecom and IT and the postal services will most likely see only partial and temporary disruption even if Israel assumes full control over the entire West Bank. The legal successor to the PA, if one materializes, will be obliged to honor existing contractual commitment made by the PA. But the current division between

the West Bank and Gaza will most likely prove difficult to overcome as communication between the two areas might become more difficult (see below).

<u>Regulatory functions</u>: Many of the regulatory functions of the MTIT will be negatively affected. These currently include the coordination preformed through GCC. It might also mean the collapse of years' efforts to bring about liberation of the telecom and postal services.

<u>Post services</u>: Since the Palestine post office structure and administration is totally integrated with the PA administrative structure, this would make it easy for Israel to have direct and full control over the post office in the West Bank and separate its operation from the Gaza operation.

<u>Communication with the Gaza Strip</u>: Although the Gaza Strip-West Bank connectivity is expected to remain in place, since it is governed by trade agreements with Israeli companies, things might change if the Hamas government in the Gaza Strip decides to breakout of the economic union with the West Bank. In this case, communication between the West Bank and the Gaza Strip might cease or become more difficult. For example, calls between the two areas would follow international routes. Private sector companies would have to rethink their working strategies in dealing with two different economic environments. One way of dealing with such development would be for these companies to connect the Gaza Strip and West Bank through international alternatives.

<u>Competition with Israeli companies</u>: one of the most likely outcomes of the disappearance of the PA will in the increased competition with Israeli companies leading to less profitability made worse by the likely frequent loss of equipment and weaker government regulation over the sector. As security conditions deteriorate, the equipment of Paltel's network and Jawwal, and Wataniya mobile companies might be vandalized or looted.

Recommendations

One of the means that can allow for continuity in regulatory functions would be the establishment of an independent regulatory agency, in according with the telecom law of 2008. This agency should be authorized to regulate the entire telecommunication sector. It would be essential to ensure that board of such a body be truly independent and to be accepted by civil society, factions and current ruling governments in the Gaza Strip and the West Bank. If one is created today, a returning Israeli occupation would be forced to accept it and respect its decisions. In this regard, and given the fact that Paltel's fixed and mobile license expires in November 2016, negotiations between Paltel and a newly created regulator should commence immediately to renew the license. It goes without saying that the future of the dominant sector operators should be secured to ensure the stability of the sector and avoid Israeli intrusion into it.

In the event of the PA collapsing and if the Israeli Government replaces the PA in any form, Israel would consider the PIF an arm of the PA/PLO. Israel may act to confiscate PIF assets to finance the newly formed entity. The PIF has substantial assets in the telecommunication sector, 10% in the Paltel group and 30% in Wataniya Mobile. It's highly recommended that the PIF assets are secured from any future confiscation by Israel. In this regard, disputes between the governments in Gaza and Ramallah regarding PIF should be resolved immediately.

Another way Palestinians can today reinforce the communication sector is by strengthening private sector organizations, such as the Palestinian Information Technology Association of companies (PITA), and encourage them to take the lead in the area of telecommunication and IT

economic development. PITA is a unifying organization between the West Bank and Gaza. Similarly, the PA should encourage the establishment of a national union for radio and TV broadcasters. This union might be able resist any future Israeli action to shut down stations.

To protect Palestinian postal services, it would advisable to register the Palestine Post Office emblem as a trade mark internationally to enable the Post Office to safeguard Palestinian interests through international institutions. All existing Palestinian-Israeli agreements concerning the postal services were signed between the Israeli Postal Authority and the PA or the PLO. This needs to change so that the PA or PLO is replaced with the Palestine Post Office. The PA should also explore the idea of making postal services independent of the government. This might make it difficult in the future to separate the postal offices in the Gaza Strip from those in the West Bank. In this regard, since it is expected that Israel would prevent the postal services from making payment of the martyrs' family allowances through the post office, as the case is today, it proposed that alternative methods of payment be found. Payment of martyrs' allowances can be made through charitable agencies such as Zakah committees, or even through a grassroots movement such as family social solidarity funds or politically affiliated groups.

(6) Water and Power:

Today Palestinians are heavily dependent on Israel for access to power, water, and fuel. In 2010 Palestinians imported around 4.2 megawatt/hour electricity, 172 million liters of gasoline, 476 million liters of diesel, and 122 million tons of liquefied petrol from Israel (PCBS, 2010). Only 2% of West Bank electricity needs are imported from Jordan while the rest come from Israel. In 2011, according to the Palestinian Water Authority (PWA), the West Bank alone imported from Israel, through the Israeli water company Mekorot, 53 million cubic meters of water, with 49 MCM going for domestic use and 4 MCM for agricultural use. Total West Bank water consumption in that year stood at 62.3 MCM.

PWA, a public institution with a budget set by the PA, is the water's regulatory agency and the Jerusalem Water Undertaking (JWU) along with municipalities and local councils are responsible mostly for distribution. The Palestinian Energy Authority is responsible for overall regulation of the power sector. The Palestinian power sector is also managed by municipalities, the Jerusalem District Electricity Company, the North Electricity Company and the South Electricity Company; all of them import power from the Israeli Electricity Company. The Palestinian Electricity Regulatory Council has been established by the PA as an independent body with monitoring and regulatory functions. Its board has government as well as private sector representatives. The ministry of finance, where the Petroleum Commission is located, is in charge of fuel imports. The absence of the PA will have a significant impact on Palestinian access to all these resources as some of these institutions will cease to function.

Access: Given the current almost total Palestinian dependence on Israel for water, electricity and fuel, an Israeli assumption of responsibility and a return of the Israeli civil administration in the day after would lead only to temporary disruption in Palestinian access to these resources. Since the main distributors of water, electricity and fuel are independent or private sector actors, a Palestinian popular decision not to cooperate with the Israeli authorities might not affect the availability of the various utilities. Local councils and municipalities might remain the key service providers, but Israel, nonetheless, could impose limits on the amount of water provided to Palestinians. As mentioned above, no changes are likely to occur to the power sector. The Israeli electricity company would keep providing services, and Israelis would continue to be the main source of fuel as they are now. But access to all sources might be seriously constrained if no central player assumes direct responsibility over the West Bank. In such a situation, access will be negatively affected due to expected loss of equipment, lack of maintenance, increased poverty, and absence of international financial support.

<u>Impact of economic and security conditions:</u> If economic conditions deteriorate to the extent that most people were unable to pay for the various utilities, private sector service providers might not be able to deliver such services for long. Similarly, lack of security might negatively affect the safety of equipment belonging to the private sector.

Role of civil society: despite their long experience, the experience of civil society organizations in water and power management is very limited. Their role is likely to be complementary in support of other players, such as local councils. Nonetheless, civil society will most likely play a role in securing financing for operational and maintenance costs and encouraging the international community's intervention to guarantee proper services.

Role of local councils: With or without a direct Israeli role, local councils are likely to play a significant role in managing and regulating access to utilities. Success of local councils in delivering these critical services will depend on public perception of their legitimacy and factional willingness to grant them autonomy. Local councils are likely to obtain financial support from international donors particularly if they manage to collect bills from the public. Rising poverty and unemployment is likely to impact bill collection negatively.

Recommendations

Several Palestinian actors need to work together in order to insure access to water, power, and fuel: private sector companies, local councils, factions, civil society organizations, and international donors. Private sector and non-governmental companies operate on the basis of agreements with Israel. They can hold Israel accountable to existing agreements and pressure it to continue to provide the current levels of resources. Alone they provide most Palestinians with their utility needs. But in order for them to be able deliver uninterrupted services, factions and civil society groups need to provide protection against attacks targeting infrastructure. A joint council representing all relevant Palestinian players might contribute to limiting the consequences of PA collapse or dissolution on this sector.

The joint council, working closely with the PLO, can also play a role in securing funding for infrastructure maintenance and operation and in enlisting international logistical support.

(7) Local Government:

While under direct Israeli occupation, Palestinian local government enjoyed a limited role in service delivery. Legal and administrative restrictions and absence of financial autonomy restricted that role to areas of service delivery related mainly to water, electricity, road paving, and garbage collection. The creation of the PA did little to change the role of local councils in Palestinian politics and society. A ministry of local government assumed significant responsibilities over the functioning of local government. The ministry made little headway in expanding the authority and functions of local councils leaving them with limited jurisdiction. By law, functions of local councils are limited to areas of construction, markets and traffic regulations, and public parks. They do not enjoy actual authority over education, social affairs, or health. Furthermore, the law does not allow local councils a reasonable margin of independence in matters of taxes and fees.

PA collapse or dissolution is expected to have grave consequences for local government. Despite the significant experience gained under Israeli occupation and since the creation of the PA, most local councils remain dependent on central government for financial and administrative support. Without funding, they will not be able to continue to provide the little services they do provide today, let alone be able to extend their mandate to cover new areas such as education or health.

<u>Service delivery</u>: Local councils are expected to continue to play a role, albeit a diminished one, in delivering services they deliver today such as in the utilities sector. But their ability to play a role in maintaining roads and other infrastructure will depend greatly on availability of local and international funding.

Expanding local government role: It is likely that local councils will be in a position to expand their role in some areas, such as humanitarian needs, that does not require big budgets, but not others, such as health and education that require big bureaucracies and budgets. While big municipalities, such as those of big cities, are likely to successfully shoulder greater responsibilities than they do today, the overwhelming majority of local councils lack the capacity or experience to do so.

<u>Political role:</u> Despite the fact that most, if not all, local councils are elected, their ability to play a political role will be limited. Given the factional makeup of most of the local councils, it is likely that political rivalries and quarrels will hinder agreement on delegating major political responsibilities to these councils even with full PLO endorsement.

Recommendations

Elected local councils provide one of the most important remaining sources of legitimacy in Palestinian politics and society. But current legislation restricts their mandate making it difficult for them to play an effective role in the day after. Amending local government law so that it ensures a greater local jurisdiction over matters of health, education, and finance enhances the capacity of these bodies to play a more significant role not only in service delivery but also in the political realm. Such amendment if implemented, should strive to empower local councils with a reasonable degree of financial and administrative independence.

Similarly, in order to enable local councils to face the likely challenges of the "day after," it is essential to increase the administrative and managerial capacity of local council and municipal leaders. This is particularly true in areas related to financial, administrative and technical skills.

Given the large number of local councils, many of which are too small to survive on their own in the "day after," consolidation and merger of various local bodies help these councils cope in a more efficient manner when the PA is no longer there to help them manage their relations.

(8) Judiciary:

The Palestinian judiciary is managed by three PA institutions: the Ministry of Justice, the Supreme Judicial Council (SJC) and the Public Prosecution office. A total of 215 judges about 1500 employees work on the various sectors of the justice system, in the various courts and the public prosecution offices. In addition to regular courts, Sharia judiciary deals with family personal status issues and military courts address issues involving members of the military and security services. Palestinians will have an interest in the "day after" to maintain a justice system despite the lack of capacity to enforce judicial decisions as a result of PA collapse or dissolution.

<u>Judicial institutions</u>: The collapse of the PA does not necessarily mean the collapse of all judicial institutions. This will be particularly true if the PLO, civil society, or political factions work together, with Israeli acquiescence, to replace the PA with public institutions that have the authority to regulate and manage the justice system. In this case, the judiciary, including the HJC, will probably continue to operate. But court decisions are likely to remain unimplemented in most cases. Over time, lack of implementation of judicial decisions will force the public to seek justice elsewhere. A parallel tribal justice system and reconciliation committees might gradually emerge to complement the work of the formal justice system. Similarly, as poverty and crime levels rise people will seek

protection by returning to traditional values which in turn will enhance the role of these parallel institutions.

<u>Anarchy</u>: Failure to maintain existing judicial institutions could lead to significant deterioration in the justice system. Formal courts are likely to be perceived as ineffective. If the Israelis do not step in to fill the vacuum, only parallel institutions would remain functioning. To prevent anarchy, Palestinians might resort to tribal and family structures and in some cases to and armed group for protection and justice.

Israeli direct control of the judiciary: An Israeli assumption of direct control over the West Bank will affect the functioning of the judiciary in a significant manner. Israel will most likely dissolve any remaining PA linked judicial institutions, such as the SJC as well as the High Court and some of the specialized courts, such as the customs court, the corruption crimes court, and the appeals court for income tax cases. Israel will most likely resort to military orders to facilitate its direct control over any security-related matters and the trial of civilians in military courts. It might also use such orders to dismiss and appoint judges in regular courts, particularly if the judges decide to boycott contacts with a reconstituted Israeli civil administration.

<u>Sharia courts</u>: although the collapse of the PA will most likely put an end, at least temporarily, to the functioning of several institutions that deal with Sharia matters, such as the Higher Council for Sharia Judiciary and the Sharia Supreme Court, it is likely that Sharia courts, and those that address Christian personal status, will continue to function without interruption even under direct Israeli control.

Recommendations

As indicated above, Palestinians will have an interest in reducing chaos and anarchy in the "day after" particularly in an environment of increased poverty and the potential collapse of order. Therefore it will be imperative to maintain existing judicial institutions. Efforts should be made now to strengthen the independence of the judiciary, not only from interference by the executive and the security services, but also factions-driven and politically motivated intervention. The independence of the judiciary should not necessarily be seen as contradictory to the functioning of a parallel conflict resolution mechanism, one that is based on traditional societal values.

Palestinians should also put an end to any remaining practices of trying civilians in military or security courts. Such practice gives legitimacy to Israeli widespread use of military courts in the future.

Greater efforts need to be made to encourage public respect for the rule of law. This should apply most importantly to the behavior of the security services particularly in implementing court decisions affecting detainees in security cases. Civil society organizations, such as labor and trade unions, need to show greater respect for judicial institutions by promptly implementing court decisions.

The Day After – List of Expert Papers

#	Author	Title	Commentators
1	Dr. Nasser Abdel Karim	Economic Repercussions for the dissolution or collapse of the PNA	Dr. Samir Abdallah & Mazen Sinokrot
2	Said Zaid	The Effects of the PNA's Absence on Security and Public Order	Gen. Nasser Yousef & Roland Friedrich
3	Dr. Naim Abo Hommos	PNA Collapse and its Effect on Education	Dr. Ali Jarbawi & Dr. Marwan Awartani
4	Dr. Fathi Abu Moghli	The Effects of the PNA's Dissolution or Collapse on the Provision of Health Services	Dr. Munther Alsharif & Dr. Jehad Mashal
5	Dr. Mashhour Abudaka	The Effects of the PNA's Dissolution or Collapse on Telecommunication and Postal Services	Dr. Sabri Saidam & Ammar Aker
6	Dr. Abdel Rahman Tamimi	The Repercussions of the PNA's collapse on Infrastructure Services	Dr. Shaddad Attili & Yahya Arafat
7	Ibrahim Al-Barghouthi	The Effects of the PNA's Dissolution or Collapse on the Judiciary and the Functioning of the Courts	Khalil Rifai & Daoud Darawi
8	Dr. Abed-Alnaser Makky	The Role of Local Government Bodies in the Case of the PNA's Collapse or Dissolution	Khalil Ala'saily
9	Dr. Sufian Abu Zaeda	Repercussions of the PNA's Collapse on Civil and Political Affairs	Dr. Ayman Daraghmeh & Dr. Azmi Shuaibi
10	Ahmed Qurei	Future of the Political Settlement after the Dissolution or Collapse of the PA	Nabil Amr & Basem Tamimi

Day After - Workshops' Participants

#		Name	Organization
1	Mr.	Abd Alnaser Masoud	National Sec. Forces - NSF
2	Dr.	Abd Alrahman Altamimi	Head of Palestinian Hydrology Group
3	Dr.	Abdelnaser Makky	JICA/Birzeit University
4	Ms.	Abeer Albatma	PENGON
5	Mr.	Abulmajeed Melhem	PALTEL
6	Mr.	Ahmad Hindi	PWA
7	Mr.	Ahmad Qurei "Abu Alaa"	Adisory Board/Fatah
8	Mr.	Ahmad Surghally	PALTEL
9	Mr.	Alaa Lahlouh	PSR
10	Mr.	Alaa Yaghi	PLC
11	Mr.	Ali Hamoudeh	JDECO
12	Dr.	Ali Jarbawi	Minister of Higher Education
13	Mr.	Ali Nazzal	President office
14	Mr.	Ali Omar	National Sec. Forces - NSF
15	Mr.	Amin Maqboul	Sec. General, Fateh Revol. Council
16	Mr.	Ammar Dwaik	Birzeit University
17	Mr.	Anwar Abu Ammash	Welfare Association
18	Dr.	Ayman Daraghmeh	PLC
19	Mr.	Aziz Kayed	PSR
20	Dr.	Azmi Shuaibi	AMAN
21	Mr.	Basem Tamimi	Popular Committes
22	Mr.	Basri Saleh	Ministry of Education
23	Mr.	Bassam Alaqtash	National Sec. Forces - NSF
24	Ms.	Buthaina Hamdan	Ministry of TLC
25	Ms.	Covadonga Bertrand	UNDP
26	Mr.	Daoud Darawi	Adala law
27	Mr.	Eyad Zeitawi	PMA
28	Mr.	Fadel Hamdan	PLC Member
29	Mr.	Fadi Qura'an	Alhaq
30	Ms.	Fadwa Barghouthi	Revolutaionary Council/Fatah
31	Dr.	Faisal Awartani	Researcher
32	Mr.	Fajr Harb	Carter Center
33	Mr.	Faris Sabaneh	Supreme Judicial Council

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34	Dr.	Fathi Abumoghli	former minister of Health
35	Ms.	Florence Mandelik	NOREF
36	Mr.	Florid Zurba	Ministry of TLC
37	Dr.	Ghassan Khatib	Birzeit University
38	Dr.	Hanan Ashrawi	PLO
39	Dr.	Hanna Abdalnour	Alquds University
40	Mr.	Hasan Abushalbak	Ramallah Municipality
41	Mr.	Hazem Gheith	Egyptian Embassy
42	Mr.	Henry Siegman	US/ MIDLLE EAST PROJECT
43	Mr.	Ibrahim Barghouthi	head of MUSAWA
44	Mr.	Ihab Shihadeh	Ministry of Justice
45	Mr.	Jacob Hoigilt	NOREF
46	Mr.	Jamal Zakout	FIDA
47	Mr.	Jamil Rabah	Negotiations Support Unit - NSU
48	Dr.	Jehad Albadawi	МОН
49	Mr.	Jehad Alwazer	PMA Governor
50	Mr.	Jehad Harb	PSR
51	Dr.	Jehad Mashal	Expert
52	Mr.	Jihad Shomali	UNDP
53	Mr.	Khaled Osaily	Business man
54	Mr.	Khaled Shtayeh	UNDP
55	Mr.	Khalil Rifai	Deputy Ministry of Justice
56	Dr.	Khalil Shikaki	PSR
57	Mr.	Mahmoud Haroun	Military Intelligence
58	Mr.	Mariano Aguirre	NOREF
59	Dr.	Mashhour Abu Daka	Former Minister of Communication
60	Mr.	Mazen Sinokrot	Private Sector
61	Mr.	Mohammad Alfaqih	PNC
62	Mr.	Mohammad Aref	PMA
63	Mr.	Mohammad Attoun	Wassel co.
64	Mr.	Mohammad Daraghmeh	Journalist
65	Mr.	Mohammad Hadieh	Ministry of Justice
66	Dr.	Mohammad Odeh	МОН
67	Dr.	Muatasem Alhmod	МОН
68	Mr.	Munib Masri	Private Sector
69	Mr.	Munir Barghouthi	Ministry of Education
70	Dr.	Munther Alsharif	NAS

74		AA	OIF
71	Mr.	Musa Haj Hasan	QIF
72	Mr.	Mutaz Abadi	PWA
73	Mr.	Nabil Amr	Fatah
74	Mr.	Nabil Masri	Private Sector
75	Dr.	Naim Sabra	MOH
76	Dr.	Naim Abuhommos	Birzeit University
77	Dr.	Naser Abdelkarim	UNDP/Birzeit University
78	Mr.	Naser Yosef	Adisory Board/Fatah
79	Mr.	Natasha Carmi	Negotiation Aff. Dep.
80	Mr.	Nayef Swetat	Revolutaionary Council/Fatah
81	Mr.	Omar Assaf	Return right committee
82	Mr.	Peter Krause	Boston University
83	Mr.	Qaddora Fares	Prisoner's Affairs
84	Mr.	Qais Abdelkarim	PLC
85	Mr.	Radi Jarai	Alquds University
86	Mr.	Reda Awadallah	PPP
87	Mr.	Roland Friedrich	DCAF
88	Dr.	Sabri Saidam	President consultant
89	Mr.	Sadam Omar	National Security Forces
90	Dr.	Safa Nseraldin	Minister of TLC
91	Mr.	Said Alhmouz	PMC
92	Mr.	Said Zaid	PLC
93	Mr.	Salam Zagha	NEDCO
94	Mr.	Saleh Ra'afat	Former Head of FIDA
95	Mr.	Samer Farah	Welfare Association
96	Mr.	Sami Alsaedi	AI Bank
97	Mr.	Samir Abdallah	MAS
98	Mr.	Sergio Garcia	NOREF
99	Dr.	Shaddad Attili	PWA president
100	Mr.	Shaker Sarsour	PMA
101	Ms.	Shereen Zedan	PWTI-PHG
102	Mr.	Shihadeh Hussein	PMA
103	Ms.	Stephanie Heitmann	KAS
104	Dr.	Sufian Abuzayedeh	Birzeit University
105	Mr.	Tareq Tayel	Egypt Embassy
106	Dr.	Tarif Ashour	мон
107	Mr.	Tayseer Zabre	HURRAT Center

108	Dr.	Ummaya Khammash	UNRWA
109	Dr.	Wael Qa'adan	PRCS
110	Mr.	Waleedd Ladadweh	PSR
111	Dr.	Walid Aburas	HWC
112	Mr.	Walid Hodali	JWU
113	Mr.	Wisam Atwan	National Security Forces
114	Mr.	Yousef Adwan	UNDP
115	Mr.	Zafer Milhem	PERC

The Day After:

The Likelihood, Consequences and Policy Implications of PA Collapse or Dissolution:

January 2013-February 2014

PSR has initiated in January 2013 a policy research project that aimed at exploring Palestinian conditions and options in the day after the PA ceases to function. The initiative sought to produce a series of expert papers focusing on the main challenging areas of the "day after" in Palestinian political, social, financial, economic, and security life.

The initiative's point of departure is that the PA may collapse or may decide to dissolve itself in the near future under the heavy weight of various financial and political pressures. Three scenarios are conceivable: (1) Israel and the US may impose on the PA severe or crippling financial and political sanctions; (2) the PLO leadership may conclude that the two-state solution is no longer practical and may begin a search for other means to gain Palestinian rights leading it to dissolve the PA; and (3) a series of economic, financial and political crises may lead to popular demands for change expressed in mass demonstrations against the PA and a widespread demand for regime change leading to chaos and eventual collapse.

The initiative goals are three: (1) explore the implications of such a development on various critical dimensions of Palestinian life and government, elaborating on the magnitude of the problems and challenges that might arise as a result of PA demise; (2) debate various policy options to respond to such a development, to contain the damage, and to capitalize on potential benefits, if any; and, (3) recommend a course of action for Palestinians to pursue in response to the expected complications.

PSR has gathered a team of 30 experts in the areas of finance and economics, internal security and law enforcement, health, education, communication, justice system, local government, water and electricity, civil and domestic political affairs, and the future of the two-state solution. Experts have been asked to write brief papers in their various areas of expertise examining the implications and policy options for the PA. Each paper has been reviewed and critiqued by two experts. Drafts of the expert papers have been discussed in small specialized workshops attended by policy makers, parliamentarians, experts, and academics.

This final report is based on the expert papers, workshops/focus groups, interviews, and background research. The report explores the likelihood and consequences of PA collapse or dissolution, summarizes the main findings of the expert papers, and examines the overall policy implications for the PA.

This initiative has been organized in cooperation with the U.S./Middle East Project (USMEP) and the Norwegian Peacebuilding Resource Centre (NOREF). PSR is grateful for their support without which this project would not have been possible.

The Palestinian Center for Policy and Survey Research (PSR)

P. O. Box 76, Ramallah, Palestine

Tel: +970-2-2964933 Fax:+970-2-2964934 pcpsr@pcpsr.org www.pcpsr.org