

January 2018

Key points

- *An emergency meeting in Brussels to discuss Gaza and the two-state solution, convened by Norway and the European Union for 31 January*, comes against the backdrop of a heightened risk of conflict in the Gaza Strip. Whilst the meeting will not be able to resolve the underlying issues created by Hamas's de facto control in the Gaza Strip, it represents an opportunity to refocus international donor attention on what can be done to address crises in water, electricity, sewage and access, with the participation of Israeli and Palestinian Authority (PA) ministers.
- *The risk of conflict is rising, even if neither Hamas nor Israel want it, due to several factors* including: an increase in rocket fire from the Gaza Strip led by smaller Jihadist groups; the increasing pace of Israeli efforts to detect and destroy Hamas tunnels; increasing economic and humanitarian challenges which may be heightened by cuts in US aid to the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA); and encouragement from Iran to its proxies.
- *The Wilayet Sinai group (ISIS affiliates in the Sinai Peninsula) recently denounced Hamas* and called on like-minded Jihadists in the Gaza Strip to attack them; in the same video, published in January, a group member accused of smuggling weapons to Hamas was executed. Escalating rocket attacks on Israel by smaller and more radical Jihadist factions represent a challenge to Hamas.
- *The West Bank is also becoming more tense*. On 18 January, the IDF killed and captured members of a cell – apparently linked to Hamas – it believed had perpetrated a well-organised shooting attack which killed an Israeli man in his car on 9 January. This follows the arrest of several Hamas cells in recent months. Calls from Hamas and Fatah factions for a “Third Intifada” in response to the US Jerusalem announcement have not led to a general uprising. However, it was the abduction and murder of three Israeli teens in the West Bank by a Hamas cell which set off events leading ultimately to the outbreak of the 2014 Gaza conflict – an indicator of the delicacy of the situation.

Recent increase in violence

- *A spate of rocket fire from the Gaza Strip in December raises concerns for the erosion of Israeli deterrence and the possibility for a swift escalation*. Prompted by Trump's Jerusalem announcement in early December, smaller radical Jihadist groups and subsequently the larger Palestinian Islamic Jihad (PIJ) group resumed rocket and mortar fire, with Hamas apparently relaxing their

Stalling Palestinian reconciliation

- *A Palestinian reconciliation agreement signed in November 2017 has yet to make a significant change for ordinary Gazans*, and appears to be running aground. The most significant positive result so far has been the reversal in PA imposed cuts to Gaza's electricity supply on 8 January (see below).
- *However, other sanctions imposed by PA President Mahmoud Abbas on Gaza in 2017 have still not been reversed*. These include cuts in salaries to civil service workers who have not worked since the Hamas takeover in 2007. In addition, Abbas has reimposed PA taxes on Gazans to pay for services from the new reconciliation government. The PA had exempted Gazans from taxes whilst under Hamas rule from 2007-2017, and critics of the PA claim this will worsen Gaza's economic distress.
- *Other key issues remain unresolved*. Hamas refuses to hand over its arms to the PA, there is no solution for providing salaries for Hamas workers, and there is no apparent progress towards integrating Hamas into the Palestine Liberation Organisation (PLO) or scheduling elections. Whilst PA forces have now been deployed on Gaza's borders, this has made no significant impact on movement and access (see below).
- *Hamas appears intent on maintaining the independence of its operations in Gaza*, and continuing to build up its military forces. In that context the reconciliation deal can be read as a tactical concession to allow the PA the semblance of authority that facilitates measures to ease the economic and infrastructure crisis, whilst Hamas maintains its weapons and de facto control.
- *The Egyptian intelligence chief who helped facilitate reconciliation, Khaled Fawzy, was fired on 18 January*. It remains to be seen if this will have a further negative effect on the reconciliation process. A more cooperative relationship with Egypt and opening the Gaza-Egypt border is a key goal for Hamas.

Worsening humanitarian situation

- *Gaza's humanitarian situation continues to deteriorate*, potentially increasing the motivation of armed groups to attack Israel and reducing the potency of Israeli deterrence.
- *Electricity has increased to seven-eight hours a day after Israel restored supply to its previous levels* on 8 January. Israel had cut back supplies from the Israeli grid in June 2017 following a request from Mahmoud Abbas, who was in dispute with Hamas over paying the bills to the Israel Electricity Company. Following an agreement between the PA in Ramallah and Hamas on a formula for covering payment, Abbas authorised the resumption of supply to previous levels. Israel is the largest single source of electricity for Gaza, with some power coming from a power plant in Gaza and some from Egypt. However, the increased supply from Israel far from solves the problem, especially with demand increased in the winter months. Short to medium term steps that can expand the power supply include upgrading power lines from Israel and Egypt; upgrading the infrastructure inside the Gaza Strip; and the expansion of solar power. An additional long term solution is to convert Gaza's power plant to run on natural gas, which will greatly increase power output and reduce costs, according to the [World Bank](#).
- *Whilst Israel approves in principle electricity infrastructure upgrades, including an increased capacity "161 kv" power line and converting the power station to gas, implementation is complicated* by several factors. Israel wants the PA to be able to take responsibility for what is happening on the ground in Gaza. Hamas's de facto authority in the Gaza Strip makes Israel cautious about entry of "dual-use" goods intended for new infrastructure, which can be diverted by Hamas for military purposes. The severe tensions between Hamas and the PA complicate issues of who will manage and run new infrastructure. Israel links relief measures to the return of Israeli captives from Gaza – where three Israeli civilians and the remains of two soldiers are being held. The issues are further complicated by tensions between the PA and Israel, as well as the challenge of ensuring reliable funding for suppliers – a problem exacerbated by low rates of Palestinian bill collection.

- *The electricity crisis exacerbates parallel crises in water supply and sewage.* Desalination and sewage plants require reliable power sources. Currently piped water access is limited and mostly unusable for cooking and drinking, requiring Gazans to buy tanked water from unlicensed vendors. Collapsing sewage infrastructure raises fears for flooding and disease outbreak.
- *Movement and access remains heavily restricted.* There has been a gradual expansion in exports through Israel of agricultural and some manufactured products, but permits for people to cross – mainly for medical or business purposes – were reduced in 2017 compared to 2016. Gazans cannot enter Israel to work, and imports of raw materials are limited due to Israeli concerns about “dual use” materials. Despite the deployment of PA officials at the border crossings, the [Rafah](#) crossing with Egypt was open on just four days in December. Egyptian authorities say they require an upgrade to make it suitable for expanded use. Egypt is concerned to prevent coordination between Islamists in the Gaza Strip and those participating in the insurgency in the Sinai. The EU could play a role in restoring the crossing to full function, having operated a short lived Border Assistance Mission at Rafah prior to the Hamas takeover in 2007.
- *Access restrictions contribute to Gaza’s economic crisis.* Unemployment is rising and is well above 40 per cent. Youth unemployment is around 60 per cent. Meanwhile the population continues to surge, and has now reached around 2m.
- *A US decision to cut back funding to UNRWA could exacerbate the crisis.* The US has announced it will give \$60m to UNRWA in 2018, and a further \$65m is suspended pending reforms to the agency. [UNRWA says](#) the total US contribution in 2017 was above \$350. More than 1m Gazans receive food support from UNRWA, which also provides basic education and health services for many. The cut in funding follows a war of words between the Trump administration and the PA leadership following US President Donald Trump’s recognition of Jerusalem as Israel’s capital. UNRWA has been accused of employing extremists, and

of institutionally sustaining the Palestinian refugee crises rather than attempting to solve it.

- *All schools, hospitals, water and energy facilities damaged or destroyed in 2014 have been repaired* along with more than 65 per cent of some 17,800 destroyed or uninhabitable homes. However, further reconstruction is hampered by shortages of donor funds, according to the UN Educational, Scientific and Cultural Organization ([UNESCO](#)).

Tunnel detection and destruction accelerating

- *On 14 January the IDF announced it had destroyed a large Hamas tunnel* dug from Rafah into Israel under the Kerem Shalom border crossing and also entering Egyptian territory. This is the latest of several tunnels discovered in Israeli territory and destroyed by the IDF since October 2017. The rate of tunnel detection and destruction is accelerating thanks to new technologies deployed by the IDF. An Israeli detonation of a tunnel in November killed 14 Hamas and Islamic Jihad members.
- *This is raising concerns that Hamas may feel increased pressure to use the tunnels* – in which it has invested hugely – to carry out attacks before they are all detected and destroyed or blocked by an underground barrier Israel is constructing. The barrier reportedly needs another one to two years to be completed.

Escalating Iranian involvement

- *Iran appears to be escalating its role in the Gaza Strip*, and offering full support to Hamas and PIJ. Relations have ebbed and flowed with PIJ and especially Hamas in recent years but in recent months leaders of both groups have [referred](#) to the support they are receiving. Yahya al-Sinwar, who leads Hamas in the Gaza Strip, has referred directly to support received by Qassem Soleimani and the Quds Force – the expeditionary arm of the Iranian Revolutionary Guards, which has been involved in Syria and other regional conflicts.

Implications for the UK and the international community

- *The “extraordinary session” of donor countries to the Palestinians to take place in Brussels represents an opportunity* to refocus international donor attention and resources on addressing the humanitarian challenges in the Gaza Strip. Israeli and Palestinian ministers will be attending alongside representatives of international donors including US Middle East Envoy Jason Greenblatt. Israel will be represented by Minister for Regional Cooperation Tzachi Hanegbi and the Palestinians by PA Prime Minister Rami Hamdallah.
- *It is entirely unrealistic to think this meeting will be the basis for significant progress towards a two-state solution, or even addressing the underlying causes of Gaza’s crisis.* However, it may be an opportunity to focus on practical measures the international community can take along with the parties to advance improvements in electricity and water infrastructure, and address access issues that may help improve the Gazan economy. Israeli representatives are likely to reaffirm Israel’s agreement in principle to infrastructure upgrades such as the upgraded 161kv power line, but stress again the need for the PA to be in control, to ensure that Hamas is not strengthened, and to ensure there are resources in place to fund the infrastructure
- For further information on addressing infrastructure challenges in the Gaza Strip see BICOM’s 2016 Strategic Assessment, [“Gaza: How can the next war be prevented?”](#)

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Pledges and distribution of the 12 October 2014 “Cairo Conference on Palestine - Reconstructing Gaza”
(in millions of USD)

	DONOR	PLEDGE	DISTRIBUTED
1	Qatar	1,000	216
2	Saudi Arabia	500	108
3	European Union	348	312
4	USA	277	277
5	Kuwait	200	63
6	Turkey	200	139
7	UAE	200	59
8	Norway	144	174
9	European Investment Bank	70	N/A
10	Switzerland	65	67
11	Germany	63	62
12	World Bank	62	62
13	Algeria	61	61
14	Japan	61	61
15	<i>UK</i>	<i>32</i>	<i>32</i>

Largest donors to UNRWA in 2017
(in millions of USD)

	DONOR	DONATION
1	USA	364
2	European Union	143
3	Germany	76
4	Sweden	62
5	<i>UK</i>	<i>60</i>
6	Saudi Arabia	51
7	Japan	43
8	Switzerland	27
9	Norway	26
10	Netherlands	21
11	Canada	20
12	Australia	18
13	Denmark	17
14	Italy	14
15	UAE	13

This report has been produced by BICOM’s research team in consultation with British and Israeli security experts. We are grateful for their help.

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For more information please contact:
Charlotte Henry, Senior Press Officer
020 3745 3348
07879 644099
charlottteh@bicom.org.uk