**Executive Summary**

This conflict diagnostic will provide an overview and analysis for the period of 2006-2012 of leading structural indicators in the Palestinian Territories (PT) relating to probability of violent armed conflict. This report finds that despite a peak in 2009, conflict intensity is on the decline and militarization has remained stable. Political deadlock, restrictions on freedom of the press, human rights abuses, and corruption continue to present significant obstacles to good governance and a functional democracy. Increased population density and booming urban growth contribute to environmental, economic, and demographic stress. Long-term structural obstacles to economic growth caused by the Israeli occupation remain despite recent easing of restrictions on mobility and imports. The West Bank (WB) outperforms Gaza in every measurable category: from human development and economic performance to demographic stress and propensity for armed conflict. This report concludes with an assessment of twelve-month projections based on best, worst, and most likely scenarios, finding that a negotiated interim agreement between the Palestinian Authority (PA) and Israel that excludes Hamas is probable.

**Background**

In 1947, the Palestinian Civil War began with the announcement of the United Nations (UN) Partition Plan for Palestine: predicated on an allotment of the majority of the land to the minority population of Jewish immigrants. Between 1947 and 1949, approximately 520,000 to 850,000 Palestinians were displaced. Subsequently, the Gaza Strip came under the control of Egypt and the WB under that of Jordan. Israel’s victory in the 1967 war marked the start of their occupation of the PT. During the 1980s the Israeli-Palestinian conflict intensified. With the Palestinian Liberation Organization (PLO) and other paramilitary groups pitted against Israel, fighting spread throughout the WB and Gaza and spilled into Lebanon. Between 1993 and 1994, the Oslo Accords were signed, creating the PA. In 2005, Mahmoud Abbas was elected president. The Fatah-Hamas civil war took place in 2006-7, leading to geographically isolated parallel governance structures in the WB and Gaza. In December 2012, the UN General Assembly (GA) elevated the PLO to the State of Palestine (SOP) as a non-member observer state. Negotiations between the PA and Israel have resumed at the insistence of the United States (US).

**Primary External Stakeholders**

<table>
<thead>
<tr>
<th>Actor / Impact</th>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States of America (Mixed)</strong></td>
<td>The US, while serving as a facilitator for negotiations between the Israelis and Palestinians, sometimes serves to destabilize the PT by temporarily withholding aid, such as after the PLO’s bid for statehood at the UN. The US aids Israel financially and militarily, while training Palestinian security forces and providing humanitarian and governmental aid in the WB.</td>
</tr>
<tr>
<td><strong>The European Union (EU) (Positive)</strong></td>
<td>The EU has allocated funds for the operating budget of the PA and made financial contributions to the UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA), as well as to other UN agencies and NGOs. It has adopted a hardline stance on illegal Israeli settlements, recently issuing guidelines prohibiting EU agencies from aiding or financing them.</td>
</tr>
<tr>
<td><strong>The United Nations (UN) (Positive)</strong></td>
<td>In 2012, the UN GA voted in favor of upgrading the PLO to the SOP as a non-member observer state. Several UN Agencies, such as UNICEF, UNRWA, Office for the Coordination of Humanitarian Affairs (OCHA), and others advocate for humanitarian problems and monitor conflict in the PT as well as issuing resolutions bringing attention to breaches in international law by all parties concerned.</td>
</tr>
<tr>
<td><strong>Israel (Negative)</strong></td>
<td>Israel negatively impacts the stability of the PT through its occupation, the construction of the separation wall over the Green Line in the WB, its economic blockade of Gaza, and ongoing illegal settlement expansion. Exacerbating its destabilizing effects are its search and arrest policies, mobility restrictions, and invasive security presence.</td>
</tr>
<tr>
<td><strong>Arab States/ the Arab League (Mixed)</strong></td>
<td>Egypt plays a destabilizing role in Gaza by restricting the passage of people and goods through the Rafah border crossing in the Sinai. Numerous Arab League members contribute to the operating budget of the PA, and have collectively proposed the Arab Initiative: unanimous recognition of Israel in exchange for an Israeli withdrawal to the 1967 borders.</td>
</tr>
<tr>
<td><strong>Palestinian Authority / State of Palestine (Mixed)</strong></td>
<td>President Mahmoud Abbas and Prime Minister Rami Hamdallah are members of Fatah, the governing political party in the WB. The PA/SOP has forsaken violent means of liberation and reciprocally recognizes Israel. It recently resumed negotiations with Israel after pressure from the US, dropping the precondition that Israel halt settlement expansion. There has not been an election since 2006 due to the Hamas/Fatah conflict; negotiations for Hamas to rejoin the PA/SOP have thus far been intermittent and unfruitful.</td>
</tr>
<tr>
<td><strong>Hamas (Mixed)</strong></td>
<td>Prime Minister Ismail Haniyeh and Chief of the Political Bureau Khaled Mashaal are the main leaders of Hamas. Rhetorically committed to the liberation of historical Palestine through violence, Hamas has nevertheless shown flexibility, accepting a ceasefire with Israel in the wake of the last significant flare up of violence in November 2012. It has reigned in paramilitary groups who have staged attacks against southern Israel. Hamas has also been instrumental in the delivery of basic services and security in Gaza.</td>
</tr>
<tr>
<td><strong>Non-Fatah/ Hamas Paramilitary Organizations (Negative)</strong></td>
<td>There are numerous independent violent non-state actors in the PT, particularly in Gaza. These include the Palestinian Islamic Jihad (PIJ), the Popular Front for the Liberation of Palestine – General Command (PFLP-GC), the Popular Resistance Committees (PRC), etc. Their objective is the liberation of historical Palestine through armed struggle. Their tactics include the firing of rockets into Israel, kidnapping and killing Israeli soldiers and civilians, hijackings, and suicide bombings.</td>
</tr>
<tr>
<td><strong>Palestinian Population</strong></td>
<td>Palestinian public opinion with regard to the likelihood of achieving permanent peace with Israel has generally been negative (2013: 74%). Despite the reservations of the Palestinian population, 78% see the</td>
</tr>
</tbody>
</table>
creation of a peace treaty as key to their own personal and economic security. Public sector unions are active; even with the resumption of salary payments in April 2013, strikes have lessened but not ended.

Israeli Settler Population (Negative)  The Israeli settler population has an extremely destabilizing effect on the likelihood of armed conflict. Settler violence against Palestinian civilians, the confiscation of Palestinian property and resources for use by settlers, and roads for their exclusive use all serve to magnify the grievances of the Palestinian population. Settlement expansion in sensitive areas, particularly E1 in East Jerusalem, has served as a roadblock in the past to the resumption of negotiations. Announcements of the issuance of construction tenders in settlements compel protests and criticism from the Palestinian leadership and people.

Key Indicators/Risk Assessment Indicators

<table>
<thead>
<tr>
<th>Stabilizing Factors</th>
<th>Medium Risk</th>
<th>Improving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average: 2006: 525 (base)</td>
<td>2009: 841 (peak)</td>
<td>2012: 1665</td>
</tr>
</tbody>
</table>

Destabilizing Factors  Palestinian civilian deaths increased from 35 (2010) to 136 (2012). On the 2006 CIFP assessment, the score for Palestinian refugees produced is High Risk. The total number of Palestinian refugees since 1947 has increased from 4.3 mn (2006) to 4.9 mn (2012). The yearly increase in refugee has declined from 334, 142 (2006) to 94, 804 (2012). The 2006 CIFP assessment scores refugees hosted as Low Risk.

Assessment  Refugee growth in absolute numbers is declining annually and conflict intensity between Israelis and Palestinians for the 2012 period has decreased below the base year (2006). Due to the unique classification of Palestinian refugees, children of refugees are included in the data, overstating the potential destabilizing impact of the refugee population. While improving, the situation remains fragile: Palestinian civilian deaths have increased in absolute numbers between 2010 and 2012 and not currently in a state of open armed conflict.

Governance and Political Stability

<table>
<thead>
<tr>
<th>Stabilizing Factors</th>
<th>Medium Risk</th>
<th>Stable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since 1994, the PA has held democratic elections for the presidency, legislature, and local councils in Palestinian-controlled areas. The Basic Law guarantees civilian rights and obligations and enshrines the PA with a direct-vote multi-party system. Executive powers are shared between the Prime Minister and the President. It has been 9 years since the last regime change (2005). Hamas and Fatah negotiations are underway to hold belted presidential and PLC elections. Although Mahmoud Abbas was elected in 2005, his term expired in 2009 and he remains in office.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Destabilizing Factors  Freedom House (2012) scores the PA’s press status as “not free”. Since the 2006-7 civil war, Fatah and Hamas have been in a political deadlock, resulting in parallel geographically isolated governing structures, with mutually exclusive legislative bodies. The Basic Law does not clearly divide executive powers between the PM and President, lacking constraints on presidential governmental appointments. In 2011, Freedom House scored Gaza and the WB as “Not Free”, noting that civil liberties and political rights are more restricted in Gaza. WB and Gaza authorities have restricted media outlets affiliated with Hamas and Fatah respectively. Transparency International’s (TI) Press Freedom Index (2011-12) indicates a world ranking of 153/179. Attacks on journalists by both Palestinian factions increased by 45% from 2009-10. A 2006-7 survey revealed that the public perceives corruption as a major obstacle in society; in a 2011 survey, 41% of Palestinians reported engaging in nepotism for public sector services. TI ranked the PA’s control of corruption at 48% (2010), a vast improvement from 16% (2005). |

Assessment  The political paralysis between the WB and Gaza has further undermined government accountability. Negotiations between Hamas and Fatah are intermittent; unless Hamas forgoes violence as a tool to achieve its political objectives, a lasting resolution is unlikely to be realized. Despite the presence of anti-corruption mechanisms, corruption remains pervasive in all sectors of society. However, governmental control of corruption has improved.

Militarization

<table>
<thead>
<tr>
<th>Stabilizing Factors</th>
<th>Medium Risk</th>
<th>Stable</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIFP’s 2006 assessment scores military expenditure as Medium Risk. The 1993 Oslo Accord mandates that the PA is not allowed a conventional army, only public security forces. 28% of the PA’s 2013 budget is being spent on its security forces. Arms imports are on a downward trend: in 2007, the value of such imports was 2 mn (USD) only to increase to 14 mn in 2009. It returned to 6 mn in 2010.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Destabilizing Factors  The estimated number of members in Palestinian paramilitary groups is 56,000. The reported number did not change between 2006-13. A number of factions are officially designated as terrorist organizations by the US, such as the Popular Front for the Liberation of Palestine (PFLP), the Palestinian Liberation Front (PLF), the al-Aqsa Martyrs’ Brigades, and Hamas itself. These paramilitaries are sometimes linked to Fatah and Hamas.
Concrete data on militarization is limited. The PA is forbidden a conventional army. The presence of Western-trained security forces in the WB contribute to security by preventing non-state violent actors from attacking Israeli soldiers and civilians. Despite this, there are still two major factors that contribute to a destabilizing trend: 1) the continued presence of a large number of paramilitary forces, some of which are designated as terrorist organizations and 2) the continued high number of arms imports despite a downward trend.

### Population Heterogeneity

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Stabilizing Factors</th>
<th>Destabilizing Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIFP 2006 assessment score is Low Risk for ethnic diversity in the WB and Gaza. The WB is 83% Palestinian Arab and Other and 17% Jewish; it is 75% Muslim (predominantly Sunni), 17% Jewish, and 8% Christian and Other. Palestinian Arab is considered the sole ethnicity of the Gaza Strip and it is 99.3% Muslim (predominantly Sunni) and 0.7% Christian. Israel removed settlers and military personnel from the Gaza Strip in August 2005 and have not resumed settlement.</td>
<td>Approximately 325,500 Israeli settlers live in the WB (2011) and 186,929 Israeli settlers live in East Jerusalem (2010). This is an increase from 2005 numbers: 258,988 in the WB and 184,057 in East Jerusalem. As part of an ongoing trend of accelerated settlement expansion, Israel vowed in September 2013 to expand the Israeli settlement in Hebron, WB in response to terrorism. Settlement expansion plans in the E1 area of East Jerusalem have also proven controversial.</td>
<td>The population of Palestine is largely homogenous both ethnically and religiously (though slightly less so in the WB), which minimizes the risk of internal rebellion along ethnic or religious lines. Overwhelming indigenous population homogeneity is eroded by increasing Israeli settler populations, with whom tensions are extreme. However, this group is a subset of the advantaged occupying power and does not qualify as a minority at risk nor an internal secessionist movement.</td>
<td></td>
</tr>
</tbody>
</table>

### Demographic Stress

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Stabilizing Factors</th>
<th>Destabilizing Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CPIF 2006 assessment is Low Risk for total population. The estimated population of the WB (2012) is 2,649,020; 1,644,293 for Gaza; and 4,293,313 in total. Life expectancy at birth is 71.3 for males and 74.1 for females in Palestine. It is slightly higher in the WB than in Gaza (71.7 and 74.5 compared to 70.7 and 73.5 respectively). The average life expectancy for WB and Gaza is 73 and gradually improving.</td>
<td>The CPIF assesses population growth rate as Extremely High Risk and volatile and scores population density as High Risk. It scores youth bulge as Extremely High Risk (but ameliorating). The mid-year population density in the WB is 468 persons/km², in Gaza is 4,505 persons/km², and overall population density is 713 persons/km². Average population density of WB and Gaza over 2008-2012 is 652 persons/km² (ranked 11th in the world). Population growth is 3% annually. Urban population (2012) is 3,017,782 or 75% of the total population. Both urban population and urban population as a percentage of the total are trending upwards. 41% of the total population is aged 0-14, but steadily declining.</td>
<td>Population density is high, especially in Gaza. Only Hong Kong, Macao, Monaco, and Singapore have a higher population density than Gaza. A significant youth bulge coupled with a high proportion of the population living in urban centres produces demographic stress of high concern. As the population continues to grow, people compete for scarce resources. As urban centres boom, more strain is put on municipal services and a youth bulge increases the likelihood of disenfranchised youth contributing to political volatility and violence.</td>
<td></td>
</tr>
</tbody>
</table>

### Economic Performance

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Stabilizing Factors</th>
<th>Destabilizing Factors</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cumulative GDP growth rate of the PT is recovering after dropping from 9% in 2010 to 5% in 2011. As of 2012, it stands at 6%. The average daily wage in the WB was 88.8 NIS and 65.2 NIS in the Gaza Strip. There has been an average annual increase in private employment of 6% between 1995-2012. There has not been an economic recession since the 2006-7 civil war. Overall revenue balance of the PA is up from 1,392 (mns of USD) to 1,010 as of 2012, but 2013 figures have been in a state of fluctuation given Israel’s withholding of tax revenue necessary to pay and public sector salaries.</td>
<td>Unemployment is high at 22.6% (males: 17.3% in the WB and 26.8% in Gaza; females: 25.3% in the WB and 50.1% in Gaza). The PT has a young population with low labour force participation: 44% (2012). 0.6% of Palestinians aged 15-64 have never participated in the labour force since 1995, while the private sector created only 0.3 mn jobs and the public sector only 0.2 mn jobs. Donor aid in 2012 was less than half of that in 2008. Taxes on Palestinians that are collected by Israel and transferred to the PA amount to two-thirds of its monthly revenues, and were delayed or withheld for long periods this year as a punitive measure for pursuing statehood at the UN. Before the Second Intifada the share of WB workers employed in Israel and settlements was 26%, now it is 13%. The PA’s revenue balance is projected to worsen by 500 mn to 700 mn (USD) in coming years. The Israeli security wall isolates economically linked areas, preventing Palestinians from accessing their own land. Israeli checkpoints add additional time and geographic constraints and impose increased costs of doing business.</td>
<td>The overall economic outlook is bleak. The growth of the economy is negatively related to Israeli restrictions on mobility, the withholding of taxes, lower donor aid, and recent fiscal austerity measures. Gaza is choked by restrictions on imports enforced by Israel and Egypt. Israeli freezes on the transfer of tax revenues have led to delayed salary payment, prompting wide-scale demonstrations by unionized public sector employees. Withholding tax revenue can be particularly destabilizing considering public sector employment accounts for 23.6% of the workforce. Though short-term economic trends have improved with continued economic growth, the recent easing of the Gaza blockade, the resumption of tax transfers to the PA, and unfreezing of donor aid, the Israeli occupation still presents long-term obstacles to stable economic growth.</td>
<td></td>
</tr>
</tbody>
</table>
Stabilizing Factors
Palestinians are highly educated by regional and global standards. The adult literacy rate is 95.7%. Primary school enrollment is 92% (2012) and secondary is 83.52% (2010). The infant mortality rate in the WB has shown steady improvement, diminishing by an average of between 0.5 and 1.0 per year between 2000 and 2010, now at 13.5 per 1,000 births, but 16.0 per 1,000 in Gaza. Palestine ranks 110th in the WHDI, up one rank between 2011-2. Between 2005 and 2010, the Maternal Mortality Rate improved by 1.5%, now 19.6 per 1,000 in the WB and 27.5 per 1,000 for Gaza. Incidences of HIV/AIDS are rare. 98.8% of the population has access to improved sanitation.

Destabilizing Factors
82% of Palestinians have access to improved sources of drinking water, with only 74% piped on premises. 17% have access to unimproved sources (2013). Israel restricts the availability of water and the development of an effective water infrastructure. Israel uses more than 80% of water from the Mountain Aquifer, the main source of underground water in the area, restricting Palestinian access to 20%. The Gaza blockade has prevented access to medicine, food, water, and construction materials. 10% of children under five in Gaza have stunted growth from malnutrition. 58.6% of school children are anemic. 34% of Palestinian households were found to be food insecure in 2012, a reversal since 2009.

Assessment
Leading indicators of human development in the PT have been mixed. Though the WB and Gaza generally score well in education and other social indicators, there are a number of worrying signs, such as limited access to drinking water, malnutrition, and other unmet basic needs. The situation is worse for Gazans in every regard. The main obstacles to improved human development are restrictions imposed by the occupation and embargo.

Environmental Stress
Stabilizing Factors
The Palestinian ecosystem is home to an estimated 23,159 hectares of forested areas. Palestinian plant formations possess 60 indigenous species of trees and 90 of bushes. Forests in the PT contribute to the Palestinian economy through their non-timber forest products, such as fruit, nuts, honey, wax, resins, dyes, as well as timber/firewood as inputs for industry and heating.

Destabilizing Factors
7.39% of land in the PT is arable, 10.96% of arable land is comprised of permanent crops. High population density and a high birth rate are contributing to environmental strains. Between 2000-10, 16% of biomass on land in the PT degraded, 35% fluctuated, 46% was static, and 3% improved. The Jordan Valley and semi-coastal zones are at the highest risk of land degradation. Rates of natural destruction have been exacerbated by the effects of grazing, drought and soil erosion, fire, introduction of exotic species, urban and industrial development, tourism, population growth and movement, land confiscation, politically motivated tree removal, and surface and underground water pollution.

Assessment
Population density is putting an increasing strain on an already resource-challenged area. There are numerous threats to the delicate environmental balance in the PT and a lack of stabilizing infrastructure to protect and renew natural resources.

International Linkages
Stabilizing Factors
The PLO/SOP is member of 21 international organizations, mainly economic and social in orientation. For instance, the PLO/SOP is a party to UNESCO, the League of Arab States (LAS), the International Olympic Committee (IOC), the International Chamber of Commerce (ICC), the Non-Aligned Movement (NAM), etc. In December 2012, the PLO succeeded in its bid to become a non-member observer state in the UN. The 2006 CIFP assessment scored international disputes as Low Risk. The PA/SOP's main dispute has been with Israel; the two parties have been in peace talks since July 29, 2013 at the encouragement of the US.

Destabilizing Factors
While non-member statehood status has increased the PA/SOP’s international profile, it falls short of bestowing full membership privileges. The PA/SOP relies heavily on foreign aid (the US and EU together contributed 605 mn (USD) in 2011) many NGOs in the PT lack transparency in funding operations. There has been a longstanding sovereignty, territorial, resource based dispute with Israel. Egypt has also been a party to the blockade of Gaza. The Middle East and North Africa region is characterized by high conflict intensity and frequency. Within the region, there is a long history of animosity towards Israel, now held in check by the international community’s commitment to Israel’s military inviolability and increasing integration into the world economy. In the wake of the 2010 demonstrations, known as the Arab Spring, there has been a new wave of democratization in the region and new sources of instability and uncertainty.

Assessment
The PLO/SOP’s participation in regional and international organizations mainly demonstrates a positive trend with regard to its status and inclusion in the international community. However, significant challenges remain to full recognition and inclusion as an independent sovereign state. The precondition to independence will invariably involve a permanent resolution to the Israeli occupation.

Possible Scenarios
Best Case Scenario
Conflict intensity continues to decrease. Hamas renounces the use of violence and recognizes Israel, leading to reconciliation with Fatah predicated on a power-sharing agreement to be followed by a new round of free and fair elections. Subsequently, a negotiated permanent peace agreement between Israel and the PA/SOP based on a partial withdrawal of some Israeli settlers and mutually agreed upon land-swaps with the 1967 borders as a term of reference is signed. An easing of the Israeli blockade of Gaza and restrictions on mobility in the WB leads to improved indicators of human development.

Worst Case
Indicators of economic health decline. The emergence of a third intifada prompts increased militarization of...
parties. The PA/SOP collapses as a result of a worsening crisis of internal legitimacy, followed by a spike in conflict intensity. A renewed round of violence between Hamas and Israel occurs. Israel engages in a full-scale occupation of the WB and increases annexation of Palestinian lands. An increase in refugees produced and a decrease in regional stability results as Arab states oppose Israeli unilateral action and non-state actors seek violent reprisal.

**Most Likely Scenario**

Israeli-Palestinian conflict in the WB continues to decrease in intensity. The resumption of previously frozen donor aid and easing of Israeli restrictions lead to improved economic and human development indicators. The government continues to reign in corruption. Fatah and Hamas continue face-saving negotiations that are ultimately unfruitful in the short term. An interim peace agreement, based on mutual concessions, is signed by Israel and the PA/SOP, excluding Hamas. Such an agreement mandates an expansion of areas under the control of Palestinians and reduced settlement expansion and internal mobility restrictions in exchange for the consolidation of certain settlement blocks into Israel proper.

---

6. Ibid.
13. Ibid. p. 21
16. Ibid p. 21 and p.44
26 Ibid.
27 Ibid.
33 Ibid.
39 Ibid.
40 Ibid.


Ibid.


