PALESTINE ECONOMIC POLICY RESEARCH INSTITUTE (MAS)

Palestine Economic Update

August 2025

Key Messages :

- Settlers have targeted key water infrastructure near Ramallah, while Israel curbs supply across the West Bank and blocks infrastructure development, fuelling a recurring and manufactured water crisis.
- The PA's limited security jurisdiction hinders its ability to curb water theft, yet Israel still deducts the cost of stolen and lost water from Palestinian revenues.
- Restricted hours, pre-booking chaos, and black-market ticketing cause chronic congestion at King Hussein Bridge, while Israel withholds growing passenger fee revenues, totalling around ILS 1bn by 2025.
- The PCMA's draft Insurance Law aims to overhaul the flawed regulatory framework through risk-based supervision, takaful regulation, a liquidation fund, and stronger consumer protections.

1. Settlement Expansion Fuelled Water Crisis in the West Bank

Between June 1 and July 21, settlers repeatedly attacked the Ein Samia spring northeast of Ramallah, vandalising surveillance cameras, cutting communications and power lines, and damaging a main water pipeline at the central station.[1] Ein Samia is one of the most important groundwater sources in the area, with five operating wells reaching depths of 100–500 meters and a combined daily capacity of 12,000 cubic meters, around 17% of the Jerusalem Water Utility's supply.[2] The wells directly serve 19 Palestinian communities and jointly support 14 others, benefiting nearly 110,000 people. Similar attacks have been reported at springs in Nablus and Salfit, threatening water shortages during peak summer heat.[3] Settler encroachment on the Auja Spring in the Jordan Valley constitutes another critical pressure point.[4]

These assaults on water sources come on top of long-standing restrictions. Israel limits Palestinian extraction while allowing settlers to over-pump nearby aquifers, driving groundwater levels down. This has reduced Ein Samia's share of Jerusalem and Ramallah governorates' drinking water needs to under 20%, having once been the main source of water.[5] The threat extends beyond households; hundreds of dunums of farmland and livestock herding around Ein Samia face severe risks to their survival.

Israel controls 84% of West Bank water resources, allocating 52% to its domestic use and 32% to illegal Israeli settlements, leaving Palestinians only 16%.[6] Discriminatory drilling policies reinforce this structural imbalance, as Palestinians are rarely granted permits and, when they are, wells cannot exceed 140 meters depth,[7] while settlers are permitted to drill as deep as 500 meters, directly tapping into shared aquifers and drying nearby Palestinian wells.[8]

1.1 Water Loss and Infrastructure Failures

In addition to Israeli restrictions on water extraction and settler attacks, the Palestinian water sector suffers from weak infrastructure and high water loss, exceeding 35% on average in the West Bank and much higher in some areas like Hebron.[9] Ageing and damaged networks cannot be upgraded without Israeli approval, and in some places, maintenance is outright blocked, particularly in Area C.[10] Losses are compounded by illegal connections and unauthorised wells, often leading to collective water cuts as punitive measures.[11]

According to a statement by the Palestinian Water Authority on July 19, Israel has imposed unprecedented water cuts this summer, diverting supplies from Hebron to nearby settlements under the pretext of technical issues and high-water loss, a practice repeated each summer.[12] Deliveries through the Deir Sha'ar line, Hebron's main water supply, fell by 51%, from 35,000 to 17,000 cubic meters per day. At the same time, illegal connections drove losses on the line from 2,500 to more than 11,000 cubic meters per day, severely disrupting distribution. The Tarqumiya line was hit even harder, supply collapsed by up to

1 OCHA Humanitarian Situation Update 305 West Bank
https://www.wafa.ps/pages/details/125059
2 https://www.wafa.ps/Pages/Details/125730
3 Settlers Destroy a Water Pipeline - Al-Quds Al-Arabi
https://www.wafa.ps/Pages/Details/125774
4 https://www.france24.com/en/live-news/20250720
5 https://www.wafa.ps/Pages/Details/125730
6 Warning of a Thirst Disaster in the West Bank - Aljazeera
7 https://english.wafa.ps/Pages/Details/129967
https://www.annd.org/en/programs/details/
8 https://www.un.org/unispal/document/auto-insert-197919/
9 https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=5947
10 Assessment of Restrictions on Palestinian Water Sector
11 https://www.btselem.org/publications/202305_parched
12 https://www.pwa.ps/ar/Article/7190/

90%, from 20,000 to just 2,000–3,000 cubic meters per day. Before the cut, illegal taps exceeded 15,000 cubic meters daily, around 75% of the line's capacity. Israel has used these violations as justification to shut down official connections while keeping water flowing to settlements and unauthorized links. Although the Palestinian government continues to bear the cost of stolen water through deductions from its clearance revenues, the lines are operated by Israel's national water company (Mekorot), which denies responsibility for maintenance.

In the wake of an outcry by Hebron businesses and leaders over the failure of the PWA to ensure the city its needed water supply, Palestinian security forces, in coordination with local authorities, recently removed over 70 illegal connections in the Beit Ummar line, north of Hebron, and are expanding their campaign to other lines.[13] However, concerns remain about the effectiveness of these efforts, as thefts and attacks recur regularly, particularly in Areas B and C, which remain under Israeli security control and cover more than 82% of the West Bank.

1.2 The Oslo Trap

The Oslo II Accord (1995) entrenched Israel's control over shared water resources. Palestinians were capped at 20% of the Mountain Aquifer, while Israel retained 80% and placed rigid ceilings on Palestinian extraction: 118 million cubic meters annually from existing wells plus 70–80 million from new ones, with an obligation to buy an additional 31 million cubic meters from Israel each year.[14]

Three decades later, despite a 75% increase in the Palestinian population, extraction rights remain frozen. Technical barriers, Israeli delays in approving new projects, and restrictions outside the Eastern Aquifer have left Palestinians using only 60% of their Oslo allocation. By 2019, the Palestinian National Authority (PA) was purchasing 93 million cubic meters annually (the West Bank share is 79.6 million cubic meters) from Mekorot, at prices significantly higher than local production.[15] About one-third of supplied water is lost due to leakage from deteriorating distribution networks between and within Palestinian towns and villages in the West Bank. Although the PA has prepared plans to repair these networks, most of which run through Area C, Israel has refused to approve them.

This situation has created stark disparities in water consumption between Palestinians and Israelis. Israelis, including settlers, consume an average of 247 liters per person per day, compared with 82.4 liters for Palestinians in the West Bank.[16] In unconnected Palestinian communities, consumption falls to just 26 liters per person per day, a level comparable to humanitarian disaster zones. To cope, 92% of Palestinians rely on rooftop storage tanks. These issues are incomparable to the catastrophic situation in Gaza, with only 3–5 litres per person per day, when water is available at all.[17]

The Palestinian water shortage is not a natural disaster, but the result of deliberate policy manufactured by Israeli planners. Israel's discriminatory control over drilling, distribution, and infrastructure upgrades, combined with settler attacks on springs, has turned water into another tool of domination. In 2024, Israel deducted ILS 374.3m from the PA's clearance revenues for water and an additional ILS 134m for wastewater treatment, although the PA is not provided with a clear cost breakdown and cannot verify the legitimacy of these deductions.[18]

13 https://www.wafa.ps/Pages/Details/126984
14 https://www.btselem.org/arabic/water
15 Assessment of Restrictions on Palestinian Water Sector
16 https://www.btselem.org/publications/202305_parched
17 https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/
18 https://pmof.ps/internal.php?var=11&tab=01

While Palestinians struggle with water scarcity, dependence on costly Mekorot supplies burdens the PA's already strained budget, reinforcing structural dependence and inequality.

2. Travel Complications at King Hussein Bridge

On June 25, Jordan's Bridges Security Administration launched a pre-booking platform for travellers departing through the King Hussein Bridge (KHB) (Al-Karameh/ Allenby Crossing), the only outlet for West Bank residents to reach the world via Jordan's Queen Alia International Airport.[19] The platform allocates six booking slots per day, 500 seats each, allowing 3,000 travellers daily from Jordan into Palestine. This number is far below summer demand, causing severe congestion. In July 2025, 88,700 passengers arrived through the crossing compared with 70,000 in June.[20]

The launch triggered chaos; thousands were stranded in Jordan without bookings, while predatory brokers resold tickets on the black market at up to 10 times the official price (JOD 7).[21] With no bookings available for over ten days in advance, many turned to the so-called VIP service, paying $121 per person for dedicated vans instead of buses, which were still functioning by queue.[22] Yet heavy demand overwhelmed this channel. On July 20, Jordanian authorities introduced pre-booking for VIP tickets as well (900 per day).[23] They also linked booking directly to passenger names and passport numbers to curb resale.[24]

On July 14, Israel compounded difficulties by announcing that Jerusalem ID holders could no longer use Palestinian buses or VIP services via KHB, forcing them to cross directly through other Israeli terminals and separating them from family members with Palestinian IDs.[25]

2.1 Root Cause of Travel Complications

Israel maintains full control over the KHB schedule and daily traveller quotas, imposing heightened security checks and limited working schedules.[26] The problem worsens in peak travel seasons such as summer holidays, religious pilgrimages, and the return of expatriates. Previously, following over a year of U.S. pressure, the bridge briefly operated 24/7 from April 2023, but since the Gaza war, hours have been repeatedly reduced: from 6 p.m. closures, to 4 p.m., and by July 2025, to 1:30 p.m.[27] The bridge currently operates Sunday–Thursday, 8:00 a.m.–2:00 p.m., and Fridays until 12:30 p.m., closing entirely on Saturdays. This unpredictability cripples tourism and commerce, forcing tour operators to cancel or reschedule trips due to constant changes in opening hours.

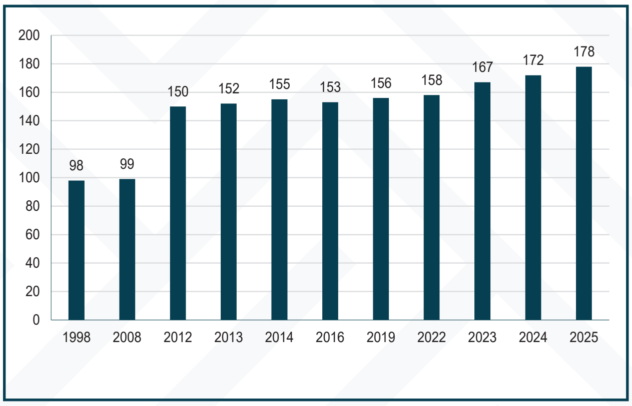
2.2 Departure Tax Revenues

Compounding Palestinian hardship, Israel continues to raise the passenger fee (exit tax) at the crossing without transferring the increases to the PA.[28] The fee rose to ILS 178 in 2025, up from ILS 98 ($26) in 1998 (see Figure 1), yet Israel still deducts the PA's share for transfer as part of clearance revenue as if rates had never changed since agreed in Oslo II in 1995: $12 per traveller for the first 750,000 passengers and $16

19 Launching the Pre-booking Platform - PSD
20 https://www.palpolice.ps/content/532494.html
https://www.palpolice.ps/content/530038.html
21 https://www.wafa.ps/Pages/Details/125560
https://www.raya.ps/news/1198325.html
22 https://bnews.ps/ar/node/25592
23 Jordanian Bridges Security Department
24 https://www.aliqtisadi.ps/ar/Article/104972/
https://bnews.ps/ar/node/25567
25 https://bnews.ps/ar/node/25567
26 https://www.alquds.com/ar/posts/166420
27 https://www.timesofisrael.com/israel-starts-running-allenby
https://www.aliqtisadi.ps/ar/Article/104972/
28 https://www.aliqtisadi.ps/ar/Article/102431
https://www.iaa.gov.il/media/cvziawn0/fee-rates-for-crossing

thereafter.[29] Under Israeli regulations, every departing passenger must pay a crossing fee, updated annually in shekels on January 1 and linked to the Israeli Consumer Price Index.[30] Israel applies these rules to Palestinians as well.

Figure 1: Passenger Departure Fees (exit tax) in ILS, 1998-2025



Source: mainly Israel Airports Authority[31]

According to the Palestinian Ministry of Finance, cumulative unilateral Israeli deductions from passenger fees between 2008 and 2022, representing the PA's eligible share compared with Israel's calculation, amounted to around ILS 900m.[32] These deductions result from Israel's refusal to provide the full Palestinian share of departure tax revenues.

In 2024, approximately 876,000 persons departed the West Bank through KHB.[33] Under the fee level in Oslo II, the PA's share for that year is about ILS 41.5m. However, based on the updated 2024 passenger fee of ILS 172 and Oslo distribution ratios, the PA was entitled to nearly ILS 75m, a shortfall of ILS 33.5m that Israel deducted from clearance revenues.[34] Assuming similar departing passenger numbers in 2023 and 2025, cumulative deductions for passenger fees owed to the PA may be estimated at around ILS 1bn by August 2025.[35]

2.3 Local Improvements in Jericho

On August 5, a new Ministry of Interior office opened at the Jericho passenger terminal, supported by UNDP, to provide civil registry services (birth certificates, ID renewals, personal IDs).[36] Facilities at the terminal have also been upgraded, doubling the seating capacity in the departure hall to 1,400 and installing modern air conditioning.[37] While these improvements ease procedures, the core problem remains Israel's tight control of operating hours and closures, especially during Israeli holidays and weekends.

3. A New Palestinian Insurance Draft Law

On June 30, the Palestinian Capital Market Authority (PCMA) unveiled a draft of a new Insurance Law for public consultation, marking the first comprehensive reform since Insurance Law No. 20 of 2005.[38] The initiative is part of the PCMA's strategic plans (2016–2020 and 2021–2025) to modernise the regulatory framework and align it with international standards. The draft follows years of preparation and consultation, including workshops, meetings with ministries, public institutions, and industry stakeholders, as well as technical reviews.[39] The PCMA has pledged to

29 According to the 1995 Interim Agreement (Oslo II), the fees are divided equally between both sides for the first 750,000 passengers annually, with Israel receiving $1 per passenger for crossing services, maintenance, and development. Beyond that threshold, Israel receives $10 (out of the $26 fee at the time), while the PA receives USD 16 per passenger (approximately 61.5%): https://content.ecf.org.il/files/M00261_TheIsraeli-

30 https://www.iaa.gov.il/en/land-border-crossings/alenbi/fees/

31 Reliable data on passenger fees is unavailable for 1999–2011, but Israeli Airports Authority regulations (Fees at Land Transit Terminals, 1994, as amended) set the fee at ILS 126 in 2006.

32 https://www.aliqtisadi.ps/ar/Article/94118/

33 https://www.palpolice.ps/content/518789.html

34 The PA collects passenger fees on the Palestinian side of the crossing in Jericho, and Israel unilaterally deducts the amounts based on its own calculations from the clearance revenues.

35 There is no reliable data on the number of departures through KHB for 2023 and 2025.

36 General Administration of Borders and Crossing

37 https://www.wafa.ps/pages/details/119965

38 PCMA Publishes a Draft of the New Insurance Law to the Public

39 PCMA Holds a Workshop to Discuss the New Draft Insurance

continue consultations with stakeholders before finalising the law, aiming to establish a modern, fair, and sustainable regulatory environment that strengthens financial stability, supports sector growth, and builds public and investor confidence under a risk-based supervisory approach.

3.1 Why Reform Was Needed

According to the PCMA, the current insurance law contains major legal and structural gaps that have weakened supervisory effectiveness, eroded confidence in the sector, and limited its ability to develop in line with global standards. The law is fragmented and inconsistent, with provisions that often conflict with each other and are not aligned with international supervisory benchmarks, such as those of the International Association of Insurance Supervisors (IAIS).[40] It lacks clear governance requirements, effective internal controls, and procedures for bankruptcy or orderly market exit. Reinsurance regulation is weak and investment controls are inadequate, while consumer protection, particularly in ensuring fair treatment, remains underdeveloped.

Supervisory powers are also divided ambiguously between the PCMA, its Board of Directors, the General Insurance Administration, and the Insurance Supervision Committee, creating confusion in implementation. Contradictions with other legislation, covering labour, civil, company, and traffic laws, further complicate licensing, merger, liquidation, compensation, and vehicle insurance provisions, while producing inconsistent rules on claim limitation periods.

The law also fails to regulate critical areas such as takaful (Islamic insurance), micro, agricultural, and digital insurance, or to establish alternative dispute resolution mechanisms like arbitration or mediation. Meanwhile, contradictions between secondary regulations and ministerial instructions have led to rules issued without a solid legal basis, some of which are outdated, absent or directly conflicting with the law. Judicial application has exposed further ambiguities, particularly in compensation calculations and limitation periods, resulting in inconsistent rulings and undermining the prospect of a unified insurance justice framework.

40 Based on unpublished information obtained from the PCMA

The PCMA stresses that piecemeal amendments are no longer sufficient. Only a comprehensive legislative overhaul can resolve contradictions, clarify supervisory powers, and establish a coherent, enforceable framework for the sector's stability and growth.

3.2 Key Features of the Draft Law

The new draft law, comprising 156 articles across three main sections and 24 articles, lays a modern foundation for regulating the insurance industry. It seeks to address existing shortcomings while aligning with international standards and best practices. The key provisions include:

- Distinguishes supervisory and oversight rules from the contractual obligations of insurance policies.
- Establishes a dedicated fund to manage the liquidation of troubled insurers, protect policyholders, and maintain market stability.
- Introduces a clear legal basis for Islamic insurance, with dedicated chapters consistent with Sharia principles.
- Strengthens rules on claims settlement and fair treatment, with specific safeguards for victims of road accidents and workplace injuries.

- Sets clear eligibility criteria for directors, reinforces internal controls, and mandates comprehensive corporate governance standards (boards, executives, internal audit, committees), while granting the PCMA authority to remove directors where necessary.
- Requires specialised risk management units and adopts supervisory practices tailored to insurers' actual risk profiles.
- Promotes alternative mechanisms to resolve conflict by creating a specialised committee to handle disputes through arbitration and mediation, alongside enhanced ethical standards for insurers.
- Ensures alignment with other laws and secondary regulations, supported by clear definitions and recognition of judicial precedents.

Through these reforms, the PCMA aims to foster a stable and transparent insurance environment that encourages investment, strengthens competition, builds public confidence, and safeguards policyholders' rights.

3.3 Sector Background

The Palestinian insurance sector has grown steadily since the establishment of the PCMA, with total written premiums rising from $72m in 2006 to $383.5m in 2024.[41] Despite this growth, the sector remains small and heavily concentrated, with vehicle insurance, mostly mandatory, making up nearly 69.5% of total premiums in 2024. In 2024, insurance penetration stood at 3.51% of GDP, while density reached only $69.7 per capita, far below global averages (7.4% and $853)[42] but broadly comparable to regional markets such as Egypt, Jordan, and Lebanon.

According to the 2022 National Financial Inclusion Survey, only 16% of adults held at least one private insurance policy, with takaful coverage as low as 2.1%.[43] The most common forms of coverage were compulsory vehicle insurance (15.5%), comprehensive vehicle insurance (11.7%), workers' compensation (workplace injury) (6.7%), private health insurance (4%), and personal accident insurance (3.6%).

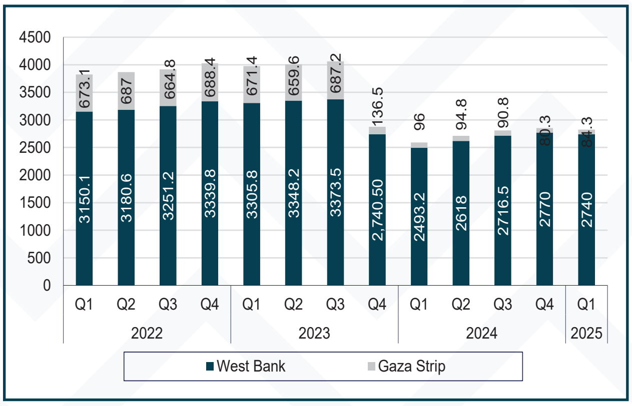
4. July Trading Activity

The Al-Quds Index fell by 1.1% in July compared to June, closing at 580 points on the last trading day of the month.[44] Around 8.4 million shares, valued at USD 15.2 million, were traded, representing a 6.6% increase in volume and a 12.1% increase in value compared with June 2025.

41 https://www.pcma.ps/insurance/
42 www.allianz.com/content/dam/onemarketing/azcom/ https://www.atlas-mag.net/en/category/tags/pays/
43 https://www.financialinclusion.ps/item-1678961908
44 Monthly Statistical Newsletter - Palestine Exchange

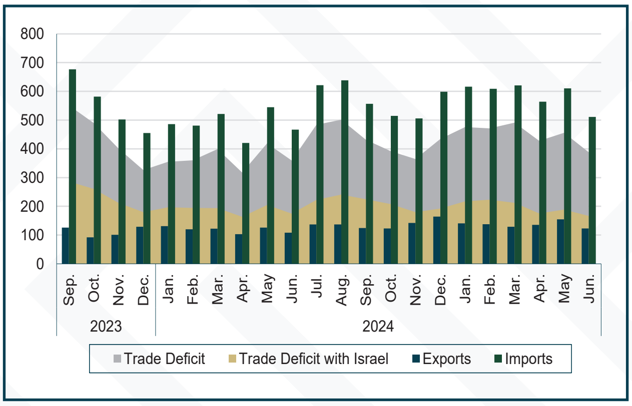
Gross Domestic Product

Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region Q1 2022 - Q1 2025



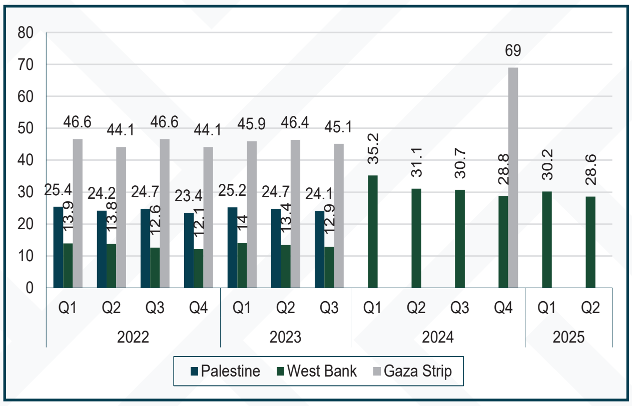
Trade

Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel (million USD) in Palestine, September 2023 - June 2025



Unemployment

Quarterly Unemployment (%) in Palestine by Region Q1 2022 - Q2 2025

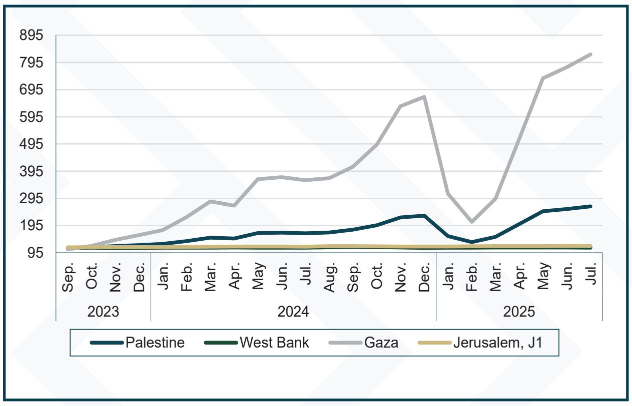


PMA Business Cycle Index

Monthly Palestine Monetary Authority Business Cycle Index September 2023 - July 2025

Inflation

Monthly Consumer Price Index (Base year = 2018) in Palestine by Region September 2023 - July 2025



Banking

Monthly Customer Deposits and Credit Facilities (million USD) in Palestine September 2023 - June 2025