



International Academic Symposium

Priorities for Palestine's Economy in the Midst of War

This Symposium is held with the generous support of MAS's Partners



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International Academic Symposium

Priorities for Palestine's Economy in the Midst of War

Foreword

This Symposium brings together internationally renowned economists and the Palestinian policy research community for an intensive dialogue on the immediate challenges facing Palestine's economy. In the unique and adverse conditions created by the war and the continued denial of the right to self-determination and sovereignty, Palestine needs to rely on best-practice, transformational economic and social policy, while plotting a realistic strategy for the war-torn economy to sustain the shocks and emerge from the crisis.

MAS researchers presented Working Papers assessing Palestinian realities and prospects, examining what immediate and medium-term options may be available to address socio-economic structural weaknesses and build on potentials for growth. Distinguished Palestinian and international panelists engaged with these subjects over the six sessions of the Symposium

1. Background: Tectonic Shifts in the Landscape of the Israeli-Palestinian Struggle

A catastrophic war, with no decisive end in sight, has been waged against the Palestinian people in the Gaza Strip and the West Bank since October 2023, with as yet incalculable human, economic, social and environmental costs. At stake is not only the future of 5 million Palestinians living under Israeli occupation, but indeed the Question of Palestine and Palestinian nationhood are again at the forefront of the global agenda. While many States in the international community have stood by Israel and in some cases funded its war effort, with the exception of the Global South and increasingly global public opinion, the people Palestine have been left to fend off this onslaught with little support except from international humanitarian agencies. Preparing for moving from relief to recovery and rebuilding must begin sooner rather than later.

Israel, long considered under international law as the occupying power in the Palestinian territory, is now under prosecution in the International Court of Justice, for crimes of genocide, illegal occupation and annexation and creating an apartheid-like regime. It faces not only external isolation but equally existential internal ideological divisions and the risk of civil strife no less than does Palestine at this transformative movement. The so called "day after" this war will entail a reckoning in Israel about its future as a parliamentary democracy governed by the rule of law, or as a ethno-religious settler State, a dynamic that has yet to play out. The bulk of the States of the world have come to the realization (some lately) that as long as Israel continues to deny the right of the Palestinian people to self-determination in their own nation-state, then the prospects for peace will remain distant.

On the ground in Palestine, while political division continues to undermine the Palestinian position domestically and globally. the imperatives of providing humanitarian relief, basic needs, temporary shelter and essential services will dominate the focus of international aid and Palestinian efforts, well into 2025. Any hope of recovery, not to mention rebuilding, depends on a serious and

concerted global response by states, institutions and people of conscience to the mass trauma and injury inflicted on the Palestinian people, especially in Gaza Strip. However, the speed, focus and effectiveness of such a trajectory is wholly dependent on eventual political developments in three main domains: in Palestine (both among Palestinians in the oPt and in the diaspora), in Israel (between the so called “states of Tel Aviv and of Judea Samaria”) and in the international legal system (and the degree of States’ compliance with it).

At such a moment of upheaval and transformation, “development” for Palestine may be an unattainable luxury, indeed it was always necessarily elusive under prolonged occupation. But if this turning point in the struggle delivers concrete political outcomes that enable the independence of the State of Palestine, not simply recognition of its inherent right to exist, then economic and social transformation could yet lead to development. Paradoxically, alongside the gradual collapse over past years and especially since the war, of the credibility and representativeness of Palestinian governing institutions (in its two wings in the WB and in GS), Palestinian “nation building” has proceeded apace, across borders and continents and languages, forming an unshakeable national identity that seems to get stronger with each bout of war and revolution. This implies an opportunity for envisaging and effecting change by the Palestinian people with the support of concerned States and institutions, that perhaps comes once a generation and must not be missed.

Yet, the new circumstances created and/or revealed by the war are rife with risk for the Palestinian people, Israel and the region. The underlying premises, or paradigms, of the past 30 years have collapsed. Assumptions such as the imperative of an Israeli-Palestinian peace process towards a two-state partition, the viability of Palestinian non-sovereign, self-government arrangements within the orbit of an Israeli colonial project, or the credibility of trying to engineer Palestine’s social and economic development as if it were a functioning state, have all been rendered questionable since October 2023. A most critical change is that the belief (on both sides) that only through peaceful means of negotiations, diplomacy and compromise can a resolution of the conflict be realized, has been giving way (on both sides) with a vision that through violence and force this existential struggle will ultimately be decided, in a zero-sum game. In some ways this war takes the struggle back to well before Madrid-Oslo, to when the PLO still espoused violent armed struggle and Israel and much of the world treated it as an outlaw terrorist entity.

There appear no longer to be two partners for partition, if there ever were, and Israel has closed the door on the very concept of Palestinian national self-determination, and in the light of events appears to have never endorsed it. In the current “non-partition” climate in Israel, Palestinians simply have no rights either as subjects under military rule or even as Arab citizens of the Jewish State. The idea that somehow the PLO could return to the pre-2023 acquiescence in the asymmetric relation that Israel and the international community managed to impose for the past years and collaborate in a new hybrid governance arrangement between Gaza Strip and the West Bank today appears as a political dead-end. While Israel seems to have demonstrated that the overwhelming use of its military force can reduce Gaza Strip to a wasteland, it certainly has not been able to extinguish either the concept or the renewal of armed resistance, however harsh Israel’s repression has been there and in different degrees the West Bank, including east Jerusalem.

2. Changing Prospects for Development

The stakes have never been higher, with the Palestinian people still demanding an end to the Israeli occupation and achievement of their national rights (in 22% of the territory of Palestine) , while Israel (and the majority of its people) today openly insists that it is, and will always be, the only sovereign between the Jordan River and the Mediterranean Sea. Orthodox conflict theory may not be easily translated to analyze this specific context. However, the resolution (or so called “permanent status”), of the historically conflicted relations between Palestine and Israel could still go in any of four directions that appear possible at the end of 2024:

1. Sudden Shock: An successful ethnic cleansing of the Palestinian people by Israel, through making Gaza (and Palestine) unlivable for Palestinians, amidst global inaction and indifference, effectively eliminating the “Question of Palestine” from the international agenda (i.e. the current agenda of messianic Zionism in power in Israel).
2. Protracted Regression: Protracted low-level generalized violence and attrition of both sides, with no victors and no defeated, leading to internal strife and dissolution of the PA, the further fragmentation of the West Bank and Gaza into Bantustans with separate power relations and development trajectories, while sparking the growth of grassroots voices calling for the re-orientation of Palestinian national goals towards non-partition and equal civic rights.
3. Baseline Recovery: Protracted low-level generalized violence and attrition of both sides, with no victors and no defeated leads to a new version of pre-2023 status quo of protracted no-war/no-peace: separate WB/GS governance arrangements, inadequate political change in Israel to promote political peace process, weakened but indispensable PA.
4. Emergence Trajectory: A triumph of a combination of Palestinian direct power through resistance, national unity, influencing the global and regional policy agenda and longer-term shifts in Israeli and global perceptions, pushing towards internal change in Israel that obliges it to cede land for peace, accept international law, and ensure equal national rights and justice for Palestine (i.e. a defeat of messianic Zionism in power in Israel)

These are stark, yet none seem discountable, outcomes as matters stand after more than a year of war. No expert or official can predict with any certainty which of these trajectories might prevail, yet Palestine appears to be on the cusp of any of them. Today there are very few “peace-loving” voices left standing, to somehow change the dynamics underlying these possible outcomes. Only battle fatigue on all sides might yet bring an end to hostilities. The fluidity of the political and military situation on the ground is such that each of these scenarios entails different socio-economic impacts and prospects, and a different configuration of forces/actors in the different arenas that the contest is playing out.

This Symposium examined the political economy of the long, unfinished road to Palestinian development, both obstacles encountered and accelerators, with an eye to the interaction of the political-economic-social indicators in a situation of prolonged conflict. Across six themes/sessions, the Symposium unpacked the power dynamics that have blocked development and for the past year threatened the very socio-economic existence of the Palestinian people under occupation through massive economic destruction and social upheaval.

Working Papers prepared by MAS for discussion at the Symposium reflect on optional scenarios

for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

The comments on each of these Palestinian papers by a panel of distinguished international scholars, friends of Palestine and leaders in heterodox economics, enriched the local perspective and provided complementary expert advice that Palestinian policy makers are well advised to take account of. MAS is deeply grateful to these friends who contributed freely their time and wisdom to provide Palestine with the benefit of their experience and insights, all in the spirit of justice and freedom that binds us more broadly.



Raja Khalidi
Director-General

Agenda

09:30-10:00

Opening Session

- Welcome Note: Dr. Nabeel Kassis, Chairman of the Board of Trustees, MAS
- Opening Statement: H.E. Dr. Mohammad Mustafa, Prime Minister of Palestine

10:00-11:00

First Session: Political Scenarios and Development Strategies for a War-Torn Economy

- Moderator: Mr. Raja Khalidi, Director General, MAS
- Presentation: Dr. Maher El-Kurd, Visiting Researcher, MAS
- Discussant: Prof. Mushtaq Khan, University of London, SOAS

11:15-13:15

Second Session: Immediate Challenges in the Wake of Destruction and Volatility

11:15

Part One: Agriculture, Food Security and Basic Income: Keys to Relief and Recovery

- Moderator: Eng. Mazen Sinokrot, BoT, MAS
- Presentation: Dr. Samia Botmeh, Assistant Professor, Department of Economics, Bir Zeit University
- Discussant: Prof. Jomo Kwame Sundaram, Visiting Fellow at the Initiative for Policy Dialogue, Columbia University

12:15-13:15

Part Two: Financial Inclusion and Exclusion: Managing Banking and Money under Occupation

- Moderator: Mr. Maher Masri, Vice Chairman, MAS
- Presentation: Mr. Habib Hinn, Visiting Researcher, MAS
- Discussant: Prof. Heiner Flassbeck, Former Director of UNCTAD's Division on Globalization and Development Strategies

13:15

Lunch

14:00-17:00

Third Session: Opportunities for Sustainable Development in the Medium-Term

14:00-15:00

Part One: Innovation and Industrial Policy: Harnessing the Knowledge Economy

- Moderator: Dr. Grace Khoury, BoT, MAS
- Presentation: Mr. Zayne Abu Daqqa, Institute of Social and Economic Progress, Ramallah
- Discussant: Prof. Mariana Mazzucato, Professor in Economics of Innovation and Public Value, University College London (UCL)

15:00-16:00

Part Two: Social Protection Systems to Combat Mass Poverty and Fragility

- Moderator: Dr. Atef Alawneh, BoT, MAS
- Presentation: Ms. Anmar Rafeedi, Assistant Researcher, MAS
- Discussant: Prof. Jayati Ghosh, Professor, Department of Economics, University of Massachusetts, Amherst

16:00-17:00

Part Three: Investing in Green Infrastructure and Climate Change Adaption

- Moderator: Dr. Ola Awad, BoT, MAS
- Presentation: Dr. Rabeh Morrar, Visiting Researcher, MAS
- Discussant: Prof. Jeffrey Sachs, University Professor and Director of the Center for Sustainable Development, Columbia University

Opening Session Speakers



Welcome Remarks

Dr. Nabeel Kassis
Chairman of the Board of
Trustees, MAS



Opening Statement

H.E. Dr. Mohammad Mustafa
Prime Minister of Palestine

First Session

Political Scenarios and Development Strategies for a War-Torn Economy

This session reviews the present situation challenges and priorities for the Palestinian war-torn economy within the framework of possible political scenarios in the near future (2025-2026). The position paper on this topic begins with a framework of the baseline, followed by the most urgent needs that need to be addressed in the immediate future, and concludes with a review of plausible and viable developmental strategies to absorb shocks and enhance steadfastness. The paper outlines two possible political scenarios: one that envisages putting an end to military operations due to regional and international pressure, lifting the blockade on the Gaza Strip, and the mitigation restrictions in the West Bank. The other scenario envisages the perpetuation of the war, the blockade on the Gaza Strip, and the restrictions on the West Bank. The paper outlines possible economic policies that would be conducive to addressing these challenges in the near future.



Moderator:

Mr. Raja Khalidi

Director General, MAS

Khalidi was trained as a development economist, with a B.A.(Hons) from Oxford University and M.Sc. from the University of London (SOAS). He has conducted research and published and lectured widely on Palestinian economic conditions in Lebanon, in the Arab region in Israel, and in the occupied territories. He worked with the United Nations Conference on Trade and Development (UNCTAD) from 1985 to 2013 and as a senior economist he served as Coordinator of its Programme of Assistance to the Palestinian People, Head of its Debt and Development Finance Branch, and Chief of the Office of the Director of the Division of Globalization and Development Strategies. He has been since 2019 Director General of the Palestine Economic Policy Research Institute (MAS).



Presentation:

Dr. Maher El-Kurd

Visiting Researcher, MAS

Visiting Researcher at the Palestine Economic Policy Research Institute (MAS), Ramallah. Worked previously as the head of planning at the Economic Dept, economic advisor to the former PLO chairman, and the head of the economic committee at the Palestine Liberation Organization, FATEH. Former head of the political science program at Al Quds Bard College. Studied at the Jesuit School, Jerusalem and the American University, Cairo, and the University of Leipzig, Germany. Recent publication: An Introduction to the Economy of Palestine:

How did we get here? Where do we go from here? Ramallah: 2022 (Arabic).

First Session

Political Scenarios and Development Strategies for a War-Torn Economy



Discussant:

Dr. Mushtaq Khan

Professor of Economics

University of London, SOAS

Khan is the head of the FCDO (UK government)-funded Anti-Corruption Evidence Research Consortium (SOAS-ACE) and joint head of the FCDO-funded SOAS-Yale partnership, Research and Evidence on Nepal's Transition (RENT), working with the British Embassy in Kathmandu.

Prior to this Khan has led multidisciplinary and multi-country research programmes informing development policy, including UK aid's three-year Governance and Growth Research Programme 2007-2010. He was joint leader of a research programme on governance and growth for Agence Francaise Développement, AFD, from 2010 to 2013. He has also led a six-year Ford Foundation multi-country research programme (2008-14) on governance and growth in India, Bangladesh and Thailand.

Khan has been a member of the United Nation Committee of Experts on Public Administration (2009-17) and the World Bank's Panel of Experts on Policy Implementation (2012-16). He served on task forces on Africa and on Industrial Policy set up by Professor Joseph Stiglitz under the Initiative for Policy Dialogue at Columbia University. He has been Visiting Professor at Chulalongkorn University, Bangkok and Dhaka University, Bangladesh.

His work is published and cited globally and has won a number of prizes including his article in the journal Democratization, which received the annual Frank Cass Prize for the article that 'most advances our knowledge and understanding of democratization'. His political settlements framework has been extensively used in several major research consortia in the UK including the Effective States and Inclusive Development programme (ESID) at the University of Manchester, the African Cities Research Consortium (ACRC) at the University of Manchester, and the Political Settlements Research Programme led by the University of Edinburgh.

He has a First-Class degree in Philosophy, Politics, and Economics from the University of Oxford and holds a PhD in Economics from the University of Cambridge.

Second Session

Immediate Challenges in the Wake of Destruction and Volatility

Part One: Agriculture, Food Security and Basic Income - Keys to Relief and Recovery

This session considers the impact of the ongoing genocide in Gaza on the agricultural sector, food security and income in the oPt. Israel has been targeting and destroying food systems and devastating agricultural land in Gaza as well as in the West Bank, thus exacerbating an already dire food crisis. The ongoing destruction in Gaza not only inhibits immediate access to food, but also reduces the population's long-term prospects for food autonomy and sustainability. As a result, food sovereignty has been severely undermined. Tackling the decline in farming and diminishing food security should integrate political-economy development principles into the relief activities with an eye towards setting life-sustaining actions in motion, based on principles of food sovereignty. Measures should aim to reduce dependence on future humanitarian interventions yet contribute to the de-colonization process via building Palestinian resilience capacity.



Moderator:

Eng. Mazen Sinokrot

BoT, MAS

Chairman and CEO of the Sinokrot Global Group since 1982, the Founder and Ex-Chairman of the Palestinian Food Industries Association, and the Regional Director of the Arab Food Industries Federation since 1997.

He is also a member of the Board of Directors of: The Public-Private Joint Economic Committee, the National Reform Committee, the Palestinian Economic Task Force, the Palestinian Free Zone and Industrial Zones Association, and the Board of Registry and Sanction at the Ministry of Higher Education; serves as Secretary of the Private Sector Coordinating Council; member of the Palestinian Businessmen Association and of the Higher Council for Technical Vocational.

Mr. Sinokrot holds a BSc with Honors in Industrial Engineering and Production Management from the University of Nottingham in the United Kingdom (1980).

Second Session



Presentation:

Dr. Samia Al-Botmeh

Assistant Professor

Department of Economics, Bir Zeit University

Al-Botmeh served as the Director of the Centre for Development Studies till 2014, and later as the Dean of the Faculty of Business and Economics at Bir Zeit University. Before that, she worked as a researcher with the Palestine Economic Policy Research Institute (MAS).

She has engaged in research on alternatives to neo-liberal development in the West Bank and Gaza Strip, and gender differentials in labour market outcomes.

Botmeh's areas of interest and publications are gender economics, labor economics, and the political economy of development.

She earned her Ph.D. in Labor Economics from the School of African and Oriental Studies (SOAS)-the University of London.



Discussant:

Dr. Jomo Kwame Sundaram

Visiting Fellow

The Initiative for Policy Dialogue, Columbia University

Sundaram is also a Visiting Senior Fellow at Khazanah Research Institute, and Adjunct Professor at the International Islamic University in Malaysia. Sundaram has been the Assistant Secretary-General for Economic Development in the United Nations' Department of Economic and Social Affairs (DESA) (2005-2015), and (Honorary) Research Coordinator for the G24 Intergovernmental Group on International Monetary Affairs and Development (2006-2012). Sundaram was Professor in the Applied Economics, Faculty of Economics and Administration, University of Malaya until November 2004, Founding Director (1978-2004) of the Institute of Social Analysis (INSAN) and Founding Chair (2001-2004) of IDEAs, International Development Economics Associates (www.ideaswebsite.org) where he now chairs its Advisory Panel. He was also on the Board of the United Nations Research Institute on Social Development (UNRISD), Geneva (2002-4). During 2008-2009, he served as adviser to the President of the 63rd United Nations General Assembly, and as a member of the [Stiglitz] Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System. He also worked as a Visiting Fellow at Cambridge University (1987-1988; 1991-1992) and a Senior Research Fellow at the Asia Research Institute, National University- Singapore (2004). He studied at the Penang Free School (1966), Royal Military College (RMC, 1970), Yale (1970-1973) and Harvard (1973-1977).

Second Session

Part Two: Financial Inclusion and Exclusion: Managing Banking and Money under Occupation

This session examines the severe vulnerabilities of the Palestinian banking sector amidst the ongoing war and escalating Israeli policies of de facto annexation in the West Bank. The widespread destruction in Gaza has devastated banking infrastructure, disrupted payment systems, and severely limited residents' access to funds, intensifying the suffering caused by loss of life, displacement, hyperinflation and starvation. Coupled with Israeli threats to terminate correspondence banking relations, these factors are sending ripples throughout the economy, placing it on the brink of a potential systemic collapse and highlighting the fragility of banking under occupation.

Palestinians are at a critical juncture in a long history marked by dispossession, misery, and inadequate international response. The life and future of Palestinians is at stake. This moment calls for decisive interventions to support Palestinian steadfastness and safeguard economic—and human—rights amidst rising Israeli violence and arbitrary restrictions and policies. While previous and ongoing efforts to support the banking sector must continue, a new approach is urgently needed—one that centers citizens and communities in planning, policymaking, and intervention to ensure they can withstand and emerge from crises.”



Moderator:

Mr. Maher Masri

Vice Chairman, MAS

Chairman of the board of Palestine Islamic Bank. Member of the board of the Palestine Investment Fund (PIF). He worked as an economist in Lebanon, UK, Jordan, Saudi Arabia and Palestine. In 1996, he was elected to the Palestinian Legislative Council (Parliament) and later served as Minister of National Economy until 2005. As a Minister, he chaired the Palestinian Investment Promotion Agency (PIPA), Palestine Standards Institution (PSI) and Palestinian Industrial Estates and Free Zone Authority (PIEFZA). He was the Chairman of Palestine Capital Markets Authority (PCMA) from 2006 till 2014 and Palestine Stock Exchange.

Mr. Masri holds BA and MA degree in economics from the American University of Beirut.

Second Session

Part Two: Financial Inclusion and Exclusion Managing Banking and Money under Occupation



Presentation:

Mr. Habib Hinn

Visiting Researcher, MAS

PhD student at University College London (UCL), focusing on financial inclusion and prosperity in Palestine. He previously lectured for six years in the Finance and Banking Department at Bir Zeit University and served as a Visiting Researcher at the Palestine Economic Policy Research Institute (MAS). Hinn also led the Financial Aid Office at Bir Zeit University and has over a decade of experience in research and consultancy. His diverse research topics include financial inclusion, land registration, aid effectiveness, equity crowdfunding, fintech, insurance, housing, investment in renewable energy, labour market dynamics, trade, food security, infrastructure development, and macroeconomic forecasting.

Hinn is a co-author and editor of the Palestine Economic Update and has contributed to other publications and periodicals.



Discussant:

Dr. Heiner Flassbeck

Former Director of UNCTAD's

Division on Globalization and Development Strategies

Flassbeck advises governments, political parties and other institutions in macroeconomic affairs. Prior to that he has served from 2003 to 2012 as Director of the Division on Globalization and Development Strategies of the United Nations Conference on Trade and Development (UNCTAD). He was the principal author and leader of the team preparing UNCTAD's Trade and Development Report.

Prior to joining UNCTAD, Flassbeck was Chief Economist in the German Institute for Economic Research (1988 -1998), and State Secretary (Vice Minister) from October 1998 to April 1999 at the Federal Ministry of Finance responsible for international affairs, the European Union and IMF.

He obtained his Ph.D. in Economics from the Free University, Berlin, Germany (1987). He has published a large number of books. The last book is "Principles of Relevant Economics" (September 2024)..

Third Session

Opportunities for Sustainable Development in the Medium-Term

Part One: Innovation and Industrial Policy – Harnessing the Knowledge Economy

This session examines the evolution of Palestine’s industrial sector, analyzing the interplay between external political constraints and internal development opportunities. While the sector faces significant challenges under Israel’s occupation that require systemic political solutions, there are also actionable pathways for growth through strategic policy reforms and market-driven interventions. The research paper prepared on this topic, proposes specific industrial policies focused on fostering technological developments to enable an innovative industrial sector to cut costs in trading and production, as well as in better accessing local and international markets.



Moderator:

Dr. Grace Khoury

BoT, MAS

Khoury is the Dean of the Faculty of Business and Economics at Bir Zeit University for two terms. She is a professor of management and has been the Director of the MBA program at Bir Zeit University for six years and chaired the Department of Business Administration. She is an Adjunct Visiting Professor at Florida State University. She has over thirty years of experience as a university professor, administrator, student career advisor, researcher, management trainer, and consultant at private and public organizations. She served as a council member including the BoD of the National Bank/Palestine. She co-edited and co-authored a number of books. Khoury is a reviewer for several management journals and a member of the editorial board of The Learning Organization, Emerald.

She holds an MBA from Suffolk University, USA, and a PhD in Human Resource Management from Bradford University, UK.

Third Session

Opportunities for Sustainable Development in the Medium-Term



Presentation:

Mr. Zayne Abu Daqqa

Co-founder and Senior Fellow

Institute of Social and Economic Progress (ISEP)

Co-founder and Senior Fellow at the Institute for Social and Economic Progress (ISEP); a Palestine-based independent research institute with a mission to advance social science research in Palestine and the Arab region through experimental research. Additionally, he is a co-founder, presenter, and member of the editorial board of the progressive Arabic-language media channel, Masa7a. He also serves as the Treasurer and Member of the Board of Directors at the Palestine Institute for Public Diplomacy. This independent non-profit organization aims to shift discourse and policy related to Palestine through people's engagement and advocacy.

In addition to his work in the non-profit field, Abu Daqqa is also a co-founder of and Senior Partner at the Ramallah-based start-up studio and boutique consultancy, Momentum Labs, and a co-founder and Chief Product Officer at a market research platform/tech firm, MENA Analytics.

Abu Daqqa holds a Master of Arts in Economics from the University of Edinburgh in the United Kingdom.



Discussant:

Dr. Mariana Mazzucato

Professor in Economics of Innovation and Public Value

University College London (UCL)

Mazzucato is the Founding Director of the University College London- UCL's Institute for Innovation & Public Purpose. She is a winner of international prizes including the Grande Ufficiale Ordine al Merito della Repubblica Italiana in 2021, Italy's highest civilian honour, the 2020 John von Neumann Award, the 2019 All European Academies Madame de Staël Prize for Cultural Values, and 2018 Leontief Prize for Advancing the Frontiers of Economic Thought. Most recently, Pope Francis appointed her to the Pontifical Academy for Life for bringing 'more humanity' to the world. She advises policymakers around the world on innovation-led inclusive and sustainable growth. Her roles have included for example Chair of the World Health Organization's Council on the Economics of Health for All, Co-Chair of the Global Commission on the Economics of Water, a member of the South African President's Economic Advisory Council, and the Co-Chair of the Group of Experts to the G20 Task Force for the Global Mobilization against Climate Change. Chair of the World Health Organization's Council on the Economics of Health for All, Co-Chair of the Global Commission on the Economics of Water, Co-Chair on the Council on Urban Initiatives.

She earned her PhD. And M.A degree In Economics from the New School for Social Research, New York 1994

Third Session

Opportunities for Sustainable Development in the Medium-Term

Part Two: Social Protection Systems to Combat Mass Poverty and Fragility

This session sheds light on the devastation caused by the Israeli occupation's one-year aggression, by discussing the Israeli policies that led to the decline in socioeconomic conditions and increased levels of multidimensional poverty in both the West Bank and the Gaza Strip. A brief revision of the social protection system is provided, including the status of poverty and fragility, key actors, and provisions, while identifying structural and emergent challenges to short-term relief and long-term poverty alleviations. As a conclusion, the position paper on this topic provides prospects for the provision of urgent social protection to relief people's current insecurities, but also a vision for social protective systems that promote equal and just development and opportunities that reduces people's susceptibility to social and economic vulnerability.



Moderator:

Dr. Atef Alawneh

BoT, MAS

Alwaneh is an economist and consultant. He is the Ex-deputy Minister, Ministry of Finance, PA (1994-2005); Cofounder and CEO of the Palestine Capital Market Authority (PCMA) (2005-2009); Professor of Economics at different Palestinian Universities including An-Najah National University since 1983. Currently, he is a Board member of: The Palestine Investment Fund (PIF); Masdar (2022- to date); Sanad Company (2020 - to date); the Internal Audit Committee and Member of The Risk and Corporate at Arab Islamic Bank (2013 – Present).

He has conducted numerous research activities in finance, trade, taxation, and other economic issues and has written many articles, papers, and studies on those subjects.

Holds PhD in Economics from Ludwig-Maximilians-Universität München (1982).

Third Session

Part Two: Social Protection Systems to Combat Mass Poverty and Fragility



Presentation:

Ms. Anmar Rafeedi

Assistant Researcher, MAS

Rafeedi has been working as an Assistant Researcher at the Palestine Economic Policy Research Institute (MAS) since Oct 2022. Her research work focuses on social protection, poverty, inequality, and social development. Her research interests include social movements and political mobilization, identity, social class, and social and development policy within the colonial context.

She holds an MSc in Sociology from the University of Oxford and a Bachelor's Degree in Sociology from BirZeit University.



Discussant:

Dr. Jayati Ghosh

Professor of Economics

University of Massachusetts, Amherst.

Previously, she was a Professor of Economics at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi. Since 2002 she has been the Executive Secretary of International Development Economics Associates (IDEAS) (www.networkideas.org). She is a Founding Trustee of the Economic Research Foundation (www.macrosan.org).

She received the NordSud Prize for Social Sciences 2010 of the Fondazione Pescarabruzzo, Italy, and was awarded the ILO Decent Work Research Prize 2010. Her research interests include globalisation, international trade and finance, employment patterns in developing countries, macroeconomic policy, issues related to gender and development, and the implications of recent growth in China and India. She has authored several books and more than 160 scholarly articles. She is also a regular columnist for several newspapers and journals in India, including Frontline and Businessline, global online blogs such as Triple Crisis Blog.

She studied at Delhi University, Jawaharlal Nehru University, and obtained her Ph.D. in 1983 from University of Cambridge, England.

Third Session

Opportunities for Sustainable Development in the Medium-Term

Part Three: Investing in Green Infrastructure and Climate Change Adaption

The session discusses investing in Green Infrastructure and Climate Change Adaptation and explores how Palestine can strengthen environmental and economic resilience through targeted green policies. First the impacts of prolonged conflict and climate changes on infrastructure and resource sustainability, will be assessed while emphasizing widely observed challenges such as water scarcity and land degradation, which threaten both ecological and economic stability. Next, it attempts to identify key challenges in integrating green infrastructure within short- to medium-term post-conflict recovery plans. These challenges include occupation, lack of public policies, limited funding for sustainable projects, and establishing local capacities to manage green adaptation initiatives under socio-political constraints. based on the paper prepared on this topic, the discussants will discuss policy priorities essential for reinforcing economic stability and environmental resilience in Palestine, identifying feasible strategies for strengthening institutional frameworks focusing on practical steps for implementing green public procurement, expanding green infrastructure investments, and fostering green economy interventions.



Moderator:

Dr. Ola Awad

BoT, MAS

President of the Palestinian Central Bureau of Statistics (PCBS) (2009-present) and Former President of the International Association of Official Statistics (IAOS) (2013 -2017). Internationally, she was a council member of the International Statistical Institute (ISI) (2017-2019). She represents the Arab region in the High-level group for Partnership, Coordination and Capacity-building for Statistics for the 2030 Agenda for Sustainable Development (HLG-SDGs). She is a permanent member of the Women's Committee of the International Statistics Institute (ISI) in addition to her membership in the ASPEN's Middle Leadership Initiative. Regionally, she is a Board member of many institutions such as the Statistical, Economic and Social Research and Training Center for Islamic Countries, the Arab Institute for Research and Training in Statistics, the Union of Arab Statisticians, the Permanent Executive Committee of Statistics in the Secretariat General of the Arab League. Nationally, Dr. Awad is the Secretary General of the Palestinian Statistical Advisory Council, and Board Member of many institutions such as: MAS, the Palestinian Supreme Council of Youth and Sports, Yasser Arafat Foundation, Chairperson of the Arafat Award for Achievement Committee.

She holds a PhD in Business Administration (2016) from the University of Liverpool and an MA in Applied Statistics from Birzeit University (2013). Dr. Awad has a number of published research papers on: sustainable development, gender issues, labor market, the Palestinian economic situation, good governance, data dissemination, and management of statistical institutions under crises.

Third Session

Part Three: Investing in Green Infrastructure and Climate Change Adaption



Presentation:

Dr. Rabeh Morrar

Visiting Researcher, MAS

Morrar is an Associate Professor in Economics in the Department of Economics at An-Najah National University, Palestine since 2011 and became the Head of the Economics Department until 2015. He served as the Director of Research at the Palestine Economic Policy Research Institute (MAS) (2020-Aug 2023), and the head of the Scientific Research Committee at the Palestine Public School of Administration from 2022.

His research interests include knowledge economy, public policy, labor economy, and development. Morrar is a Fellow in many regional and international economic research associations including the Economic Research Forum (ERF), the Arab Council for the Social Sciences (ACSS), and the Middle East Economic Association (MEEA). He published more than 30 articles in international peer-reviewed journals and many other reports and policy papers at local and international levels.

He earned his Ph.D. degree in Innovation Economy from Lille 1 University for Science and Technology, France (2011). He also finished a postdoctoral degree in Development Economics from Northumbria University, UK in 2019.



Discussant:

Dr. Jeffrey Sachs

University Professor and Director of the Center

for Sustainable Development Columbia University

Sachs is the President of the UN Sustainable Development Solutions Network, Co-Chair of the Council of Engineers for the Energy Transition, Commissioner of the UN Broadband Commission for Development, academician of the Pontifical Academy of Social Sciences at the Vatican, and Tan Sri Jeffrey Cheah Honorary Distinguished Professor at Sunway University. He directed the Earth Institute at Columbia University, from 2002 to 2016.

Sachs has served as Special Advisor to three United Nations Secretaries-General and currently works as an SDG Advocate under Secretary-General António Guterres.

He spent over twenty years as a professor at Harvard University, where he received his B.A., M.A., and Ph.D. degrees. He has been awarded 42 honorary doctorates, including the 2022 Tang Prize in Sustainable Development, the Legion of Honor by decree of the President of France, and the Order of the Cross from the President of Estonia. His most recent books are *The Ages of Globalization: Geography, Technology, and Institutions* (2020) and *Ethics in Action for Sustainable Development* (2022).

The Yusif A. Sayigh Development Lecture (YSDL)

In the tradition of our institution and tribute to the intellectual and national contribution of Professor Yusif A. Sayigh, MAS launched the “Yusif A. Sayigh Development Lecture (YSDL) in 2009. The lecture is envisaged as an institutionalized educational and advocacy exercise to commemorate the contribution of Professor Yusif Sayigh to Palestinian development studies. It is intended as an annual public address delivered in Palestine by eminent scholars, policymakers, and development practitioners from around the world and the region. Every year, the Institute focuses on an important topic related to the Palestinian economy.

- **The YSDL 2022 “A Reading of Present and Future Economic Development in Arab Mashreq”** delivered by Prof. Fadle M. Naqib, Professor Emeritus of Economics at the University of Waterloo in Canada.
- **YSDL 2021 “Development under Adversity: The Global Challenge”** was delivered by Dr. Joseph E. Stiglitz, Professor of Economics at the University of Columbia in New York; and Nobel Prize Laureate (2001).
- **The YSDL 2020 “Rethinking Value Creation for Innovation-led Inclusive & Sustainable Growth”** delivered by Dr. Mariana Mazzucato, Professor of Innovation Economics and Public Value at the University College London (UCL)
- **The YSDL 2018 “Post-Cold War Economics: Redefining International Trade Theory and Economic Development”** delivered by Prof. Erik S. Reinert, Professor of Technology Governance and Development Strategies at Tallinn University of Technology-Estonia.
- **The YSDL 2017 “Economic Policy in the New Age of Liberalism – Radical Rethinking is Unavoidable”** delivered by Prof. Heiner Flassbeck, University of Hamburg, Former Director of the Division on Globalization and Development Strategies of UNCTAD
- **The YSDL 2016 “Why has Arab Development been so Elusive”** delivered by Prof. Atif Kubursi, Professor of Economics at McMaster University- Canada.
- **The YSDL 2015 “Trade Agreements and Their Impact on the Development Project”** delivered by Prof. Jayati Ghosh, Professor of Economics at Jawaharlal Nehru University, New Delhi
- **The YSDL 2014 “A Three-Level-Model of Societal Change- to Analyse and Design Societal Change Processes”** delivered by Prof. Matthias Weiter, Professor of Development Studies at Humboldt University
- **The YSDL 2013 “New Industrial Policy: the Entrepreneurial State as a Complement to Private Entrepreneurs”** delivered by Prof. Robert Wade, Professor of Political Economy and Development at the London School of Economics and Political Science
- **The YSDL 2012 “The Political Economy of Change in the Arab World”** delivered by Dr. George Abed, Senior Counselor and Director for Africa and the Middle East at Institute of International Finance-Washington DC
- **The YSDL 2011 “Knowledge Society: Challenges and Opportunities for Economic and Territorial Development- Role of Higher Education and Research Institutions”** delivered by Prof. Issam Shahrour, Lecturer in Civil and Urban Engineering at the University of Science and Technology of Lille
- **The YSDL 2010 “Post-Oslo State Building Strategies and their Limitations”** delivered by Prof. Mushtaq Khan, Lecturer of Economics at the School of Oriental and African Studies (SOAS)

- **The Inaugural YSDL 2009 “Development Strategy Lessons from the Global Economic Crisis”** delivered by Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development in the United Nations



Paper One

International Scientific Symposium

**Priorities for Palestine's Economy
in the Midst of War**

Political Scenarios and Development Strategies for a War-Torn Economy

Dr. Maher El-Kurd

This is the First Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

1. Prelude: Palestinian development strategies on the eve of war

For many years prior to the war that erupted on 7 October, Palestinian economic and social policy had accommodated the lack of a horizon for political progress toward the two-state solution and become largely confined to the limited toolbox of non-sovereign functions available since the Oslo/Paris framework became the de jure reference (and ceiling) for development prospects. This was equally valid for both regions of the politically divided occupied Palestinian territory (oPt), the Gaza Strip and West Bank, each according to the degree permitted by political and economic relations with the occupying power and the economic doctrine of the governing parties in each region. Coherent, proactive development policy in the conventional sense of the term has largely been out of reach and only recently has the stalemate produced by Oslo been challenged by local and international critiques of the structural impacts of prolonged occupation.

While the Palestinian National Authority (PNA) designed over the years a series of politically ambitious and technically proficient development plans for the oPt under themes suited to a non-sovereign governance agenda, its resources, reach and efficiency remained below expectations and the best laid plans. By 2023 the PNA had prepared a six-year development plan based on “resilience and self-reliance” to withstand, but not reverse, a presumed indefinite occupation. It pursued donor-funded template development programs in “feasible” areas such as financial inclusion, green economy, women’s and youths’ economic empowerment, SME upgrading, and cash transfer programs. None of this, however, could contribute to economic emancipation from colonial economic dependencies, which were only strengthened even as the PNA advocated for disengagement. Meanwhile, in the Gaza Strip, the PNA institutions ruled there by Hamas also accommodated with a combination of Israeli siege and occasional economic facilitation tactics, while its private sector survived under a distorted, if highly regulated and small local economy. However, at the same time the ruling party was effectively developing a military-industrial capacity to wage war, with a potency that has produced devastating retaliatory outcomes that few if any could have assumed Israel was capable of.

In so many ways, the last year and more of war has upended not only the immediate physical, human, social, economic landscape and imposed a range of urgent relief and rehabilitation priorities even before recovery or reconstruction can be envisaged. But it also means that this is no longer an economy suited to textbook or template policy formulae, as time has shown that orthodox economic and social theory cannot always be usefully resorted to in addressing the economics of settler colonial domination, not to mention a genocidal war. A return to pre-2023 economic doctrines, institutions and policy tools is not only unlikely and unfeasible as the balance of asymmetric forces engaged has so fundamentally shifted, but is also undesirable. It would most likely entrench a trajectory akin to that projected by international agencies, which foresee many decades of recovery and rebuilding under continued occupation and denial of self-determination, a prospect that Palestinians universally refuse to buy into. Hence this paper candidly addresses the scale of challenges faced, as well as the bold and urgent policy priorities for a war-torn economy struggling to survive and be able to underpin independent statehood.

2. Baseline Socio-economic Status after a Year of War

As Israel's war on the Gaza Strip drags on into its second year, the socio-economic consequences have already taken a heavy toll and massive losses on the economy of the oPt. In the Gaza Strip, the Israeli campaign of genocide and ethnic cleansing is causing a human disaster, while the Israeli low-level war on the West Bank continues to dilapidate the overall socio-economic situation.

On the eve of October 2023, the socio-economic situation in the oPt reflected the negative consequences of the decades-long Israeli military occupation that subjugated the West Bank and the Gaza Strip to Israeli hegemony, turning them into sub-regions within the Israeli economy. The 'interim period' agreed upon in the Oslo Accords that was envisaged to be followed by a 'permanent status' in the end of its five-year duration, 1994-1999, continues to be the state of affairs three decades after the establishment of the Palestinian National Authority, PNA with no discernable path to the end of the status quo of prolonged military occupation.

The 57 years of the Israeli occupation of the West Bank and the Gaza Strip since 1967 and the three decades of the implementation of the Oslo Accords have resulted in the disintegration of the oPt into four disconnected shreds comprising the areas designated as areas A and B in the West Bank under the limited jurisdiction of the PNA, area C comprising two-thirds of the area of the West Bank under full Israeli control, occupied east Jerusalem annexed to Israel, the Gaza Strip that has been subject to Israeli blockade since 2007. Not only did the Israeli occupation cause the disconnection of the oPt with its regional Arab vital sphere, but it also caused the disintegration of the oPt into these four shreds that are disconnected from each other.

2.1 The Gaza Strip

On the eve of the October 2023 war, the Gaza Strip had been going through successive socio-economic shocks that resulted in the reduction of its contribution to the overall GDP of the oPt from close to one-third of GDP in the period 1994-2006 to about 17% of GDP in 2022 (MAS, 2023). Since the Palestinian legislative elections of 2006 and the Hamas coup d'état in 2007, the Gaza Strip was subjected to Israeli blockade and successive Israeli military aggressions in the years of 2008, 2012, 2014, and 2021. The significant decline in the Gaza Strip's contribution to the GDP was the result of the tight blockade imposed by Israel in the Strip since 2007 led to the deterioration of the economic and social condition in the Strip, where Palestinian refugees represent approximately 70% of the population and the unemployment rate had reached 50% before the October 2023 war. The unemployment rate among the youth had reached approximately 73% (PCBS, 2023).

The Gaza Strip, one of the most densely populated areas in the world with approximately 2.3 million Palestinians living in an area no more than 365 km², was turned into an open-air prison (Pappe, 2019). The humanitarian, environmental, and economic catastrophe that began in the fourth quarter of 2023 has led to the killing and injuring of close to 8% of its total population. In addition to loss of life and human suffering, 86% of the Strip's population were subjected to successive displacements in the form of evacuation orders, expected to seek shelter in 13% of the Strip's land area (ESCWA-UNDP, 2024). The ESCWA-UNDP (2024) report estimates that the loss of physical capital comprised the destruction of about 135,000 housing units by May 2024. Physical capital losses include the systemic destruction of the Strip's infrastructure, whereby

water, energy, and sanitation infrastructure suffered 67% destruction and damages. In addition to the irreparable damage to ground water quality caused by the release of untreated wastewater and other pollutants, or the health consequences of lack of access to water and sanitation.

The Israeli scope of destruction did not spare education and health facilities. By the summer of 2024, 88% of school and higher education buildings were destroyed or damaged, 625,000 students lost access to education, 21 out of 36 hospitals were out of service, and 43% of primary health facilities were not operational.

This situation of the inability of the population to have access to health care, medications, nutrition, and sanitation may cause 'indirect' casualties that would raise the total number of deaths to close to 186,000 by the end of the first year of the war, or about 8% of total population of the Gaza Strip (Khatib et al, 2024). Another estimate of indirect deaths due to these factors by September 2024 is about 119,000: 42,000 direct deaths, 10,000 under the rubble, 62,413 deaths from malnutrition and disease, and a conservative estimate of 5,000 deaths in patients with chronic diseases (Perlmutter et al., 2024).

This comprehensive destruction brought the economy of the Gaza Strip to a standstill. The challenges posed by the "day after" are enormous: the needs of 90% of the population of the Strip for relief, basic income, emergency shelter, and health care.

2.2 East Jerusalem.

Since 1967, east Jerusalem was subjected to Israeli segregation policies that disconnect it from the rest of the West Bank as it annexed it and redefined and extended the jurisdiction of the Israeli municipality and imposed restrictions on movement and access. The construction of the barrier wall added additional restrictions and impediments causing further deterioration in economic activities, as reflected in the diminishing contribution of the GDP of the oPt from close to 15% in 1990 (UNCTAD, 2014) to about 7% in 2022 (PCBS, 2024).

The governorate of Jerusalem comprises about half a million Palestinians representing close to 15% of the total population of the West Bank, of which one-third, or about 175,000 are given the status of 'resident' in the Israeli-annexed areas (designated as J2 in the PCBS reports), PCBS limits its reporting the other 320,000 or two-thirds of the population of east Jerusalem, (designated as J1). In J1, 41% of households depend on employment in the Israeli economy as their main source of income (PCBS, 2024).

Tourism is the main economic activity. According to UNDP, 90% of shop owners in east Jerusalem rely on tourism, which has plummeted in the aftermath of the October 2023 war, during which the tourism sector came to a virtual standstill, causing the closure of most of these shops in Jerusalem's old city (UNDP, 2024). This dire situation is further negatively affected by the Israeli blockade on the areas within the barrier wall under the jurisdiction of the Israeli municipality, impeding commercial activity between Palestinian Jerusalemites and the rest of the West Bank.

Israeli security constraints on movement diminished the volume of trade exchange and purchasing movement. According to MAS, the industrial sector has been adversely affected due to Israeli

obstacles on the transport of raw materials from the West Bank. These obstacles negatively affected construction and renovation activities that rely on Palestinian labor from outside Jerusalem (MAS, 2024a).

These constraints and impediments represent Israel's policy aiming at the ethnic cleansing of the city of its indigenous inhabitants and their displacement (Zink, 2009), utilizing the state of war to intensify and escalate its campaign of colonizing and Judaizing east Jerusalem.

2.3 The Rest of the West Bank.

The expansion of the Israeli settlement project in area C of the West Bank comprising about two-thirds of its total area continues to confine the PNA within areas A and B. The Oslo Accords allowed for full PNA jurisdiction on area A and limited jurisdiction on area B during the Oslo years of the 1990s. The second intifada that erupted in late 2000 after the failure of the Camp David negotiations provided Israel with the pretext to withdraw several aspects of the PNA's jurisdiction over areas A and B.

The past few years witnessed an intensification of restrictions on movement and violence against Palestinian communities and properties by the Israeli settlers as well as by the Israeli security forces on areas A and B, with a focus on the refugee camps. The formation of the present Israeli governmental coalition that resulted from the November 2022 Knesset elections and the eruption of the October 2023 war provided Israel with further pretexts to intensify violence and settlement expansion as well as the expropriation of parts of the PNA's public revenues through the 'clearance' mechanism agreed upon in the Paris Protocol on Economic Relations.

According to OCHA, areas A and B constituted about 220 enclosures whereby each enclosure is surrounded by area C under full Israeli control, military checkpoints, and settlements. Constraints on the movement of persons and access to markets and places of employment in this 'archipelago' of the Palestinian enclosures under the limited and eroding jurisdiction of the PNA cause further deterioration and decline to economic activities.

Since the beginning of the Israeli aggression in October 2023, the West Bank was placed under comprehensive closure. This led to the suspension of work permits for close to 180,000 workers in the Israeli labor market, depriving the Palestinian economy of about 17% of GNI (Habbas & Quzmar, 2022). Another outcome of the closure imposed on the West Bank since October 2023 has been the interruption and prohibition of the free movement of the Palestinians of 1948 to the West Bank, whose purchases and expenditures contributed the equivalent of about US\$ 1.5 billion, or about 10% of GDP in 2022 (MAS, 2023).

The cumulative effects of these economic shocks during the first year of the October 2023 war led to decline of real GDP in the West Bank (in constant 2015 US\$ prices) from 13.3 billion in period of October 2022-September 2023 to 10.4 billion in the period of October 2023-September 2024, equivalent to 21% decrease; while real GDP per capita (in 2015 prices) in the West Bank decreased from US\$ 4,525 to 3,467 in the same period (ILO, 2024).

3. Main challenges in the stages of relief, rehabilitation, and recovery

Despite the inability to conduct surveys and studies on the ground in the Gaza Strip due to the Israeli non-stop bombardment and blockade. Various regional and international parties do not hesitate to propose estimates of the costs of reconstruction. In the sixth month of the war, the Egyptian president announced, with an eye on the potential role of his country's companies, that the cost of rebuilding the Gaza Strip would reach US\$ 90 billion (Alaraby, 2024). The US Rand Corporation, which had published numerous studies on the infrastructure in the oPt over the past decades, has also given another estimate of US\$ 80 billion (The New Arab, 2024). These two estimates were given even before the Israeli military expanded its operations and attacked the city of Rafah and its environs. Similarly, estimates on the duration required to clear the rubble before actual reconstruction can begin, according to one UN estimate, it would take 14 years to clear the rubble before construction begins.

It is difficult to take such estimates of the costs of rebuilding and the duration of the removal of the rubble seriously as long as they are not based on actual surveys carried out by specialized technical teams on the ground, which remains to be impossible due to the on-going Israeli military occupation. This also depends on the 'day after' and whether Israel will continue to enforce a blockades or limitations on movement and access after the war: according to the UNCTAD, the duration for the rebuilding the Gaza Strip would require about 350 years if Israel would continue to subject the Gaza Strip to its control and blockade (Reuters, 26/4/2024).

Since the 1967 Israeli occupation of the West Bank and the Gaza Strip, the economic fabric was subjected to massive distortions caused by Israel's economic policies of "dispossession and pauperization" (Sayegh, 1988). The cumulative effect of the ongoing economic plunder and exploitation over the decades deprived the oPt of its economic developmental potential. Three decades of autonomy on areas A and B in the oPt did little to achieve structural changes from the path dependence and asymmetric containment.

A review of the economic growth over the period 1968 – 2000 showed that the relatively highest level of GDP and GNI in the oPt in real terms had been achieved at the eve of the first intifada in the mid-1980s, as the economic performance in the 1990s was negatively affected by the frequent and prolonged closure imposed by Israel (Dessus, 2004). The years of the second intifada witnessed a reduction in real GDP, from US\$4.2 billion in 1999 to US\$3.5 billion in 2002, or a 16% setback (UNCTAD, 2006). On the eve of the October 2023 war, the oPt went through another setback in the years of the Covid-19 (2019-2121), whereby real GDP plummeted by 12%, and the post-pandemic years of 2022 remained below the 2017/2018 levels (IMF, 2023).

The economic shocks that resulted from the October 2023 war that were reviewed in the previous section of this paper further delapidated and worsened this volatile economic performance of the setbacks over the past decades. In the second year of the war, the economy of the oPt faces fundamental and serious challenges.

The immediate and urgent requirements of the 'day after', the provision of nutrition, medicine, health care, emergency transitional shelter, basic incomes, universal social protection ...etc., would require conducting population surveys on the ground to identify the population groups

that have displaced from their places of residence and neighborhoods, their gathering places, emergency needs, and other requirements, which will again require free movement and access by local, regional, and international bodies that would carry out these activities.

Equally important, there is an urgent need to work on serious considerations of the issues related to the parameters, structure, and processes of the rebuilding of the Gaza Strip economy in the post-war phases, so that efforts related to humanitarian relief and reconstruction can be directed to serve the objectives of a nationally adopted Palestinian development vision the works to re-integrate the economy of the Gaza Strip in the economic and institutional structure of the oPt.

A second challenge will be addressing the higher levels of unemployment in the West Bank, where the access to the Israeli labor market is likely to remain restricted in the foreseeable future. In the aftermath of the October 2023 war, due to the suspension of Israeli work permits for about 165,000 thousand laborers, the loss of Gaza Strip's contribution to GDP, the loss of considerable portions of the PNA revenues due to Israel's policies in retaining almost half of the "clearance revenues" agreed upon in the Paris Economic Protocol, public and private consumption plummeted, causing a downward spiral that pushed domestic employment downwards. According to the ILO, unemployment in the West Bank rose to 35% by September 2024 (ILO, 2024).

A third challenge will be the need to address the repercussions resulting from the receding public revenues due to the reduction of public and private consumption and the loss of transfers and ongoing closure preventing the Palestinians of 1948 from accessing the West Bank markets.

A fourth challenge will be addressing the threats facing the stability of the banking sector that lost all its business in the Gaza Strip, facing the threat of severing relations with Israeli correspondent banks, and facing the accumulation of excess Israeli currency due to Israeli punitive and unilateral actions.

In the past few years, the West Bank was facing a warlike situation due to the belligerent attacks by militant Israeli settlers, attacks by the IDF on Palestinian communities, especially in the refugee camps, and creeping ethnic cleansing of Bedouin and rural communities. This warlike situation was intensified with the formation of the present Israeli ruling coalition, and especially in the aftermath of the October 2023 war. Since the source of legitimacy of any political entity is based on its ability and capacity to provide protection and human security, the PNA needs to address a serious challenge relating to its governance, representativeness and legitimacy.

Since the establishment of the PNA, and especially during the two decades that followed the second intifada, the PNA's economy persistently faced two main deficits in its fiscal balance and its balance of trade. Subsequent PNA governments resorted to prioritizing the partial financing of its fiscal balance deficit through the expansion of the encouragement of imports as a source of public revenues through the clearance revenues, to the detriment of the domestic productive activities in agriculture and industry. A main challenge facing the PNA will be the need to reformulate its trade liberalization economic policies to serve the enhancement and protection of domestic productive activities.

4. Priorities and Feasible Policies to Protect Economy, Maintain its Resilience and Absorb Shocks, until Recovery

The Israeli ongoing genocide in the Gaza Strip and the warlike situation in the West Bank are embarking on their second year, causing more death and destruction in the Gaza Strip with the implementation of the 'Generals Plan' (Fleishmann, 2024), enforcing more killings, starvation, and the ethnic cleansing of the northern part of the Strip, while gradually implementing the 'Decisive Plan' (hashiloach.org.il, 2024) in the West Bank. And yet, the performance of the PNA continues to be 'business as usual'.

The capacity to formulate and implement feasible policies for war-torn economies requires the recognition of a state of conflict, violence, and war in order to address the challenges related to the protection of the citizens, the social fabric, and to safeguard the community by providing it with the socio-economic tools for steadfastness, sumud.

Chapter VII of the Palestine Basic Law of 2003 specifies the processes, procedures, and limitations related to the declaration of a 'state of emergency' in articles 110 through 114. Article 110 provides the justification of the declaration of a state of emergency in the cases of: "...a threat to national security cause by wars, invasion, armed insurrection, or in times of national disaster", while article 111 confirms the protection of fundamental rights and freedoms when declaring a state of emergency except "...to the extent necessary to fulfil the purpose outlined in the decree declaring the state of emergency" (<https://security-legislation.ps>).

The PNA had declared a 'state of emergency' in March 2020 due to the Covid-19 pandemic, which was extended for several months into 2021. The present situation in the second year of the October 2021 war necessitates the adoption of special policies and arrangements to confront the existential threats facing the Palestinian entity in the oPt (Daoudi & Khalidi, 2008). A declaration of a state of emergency would provide the PNA with special powers that will be needed to formulate and implement adequate policies and measures to address challenges and newly-defined priorities.

In the second year of the war, the PNA is bound to recalibrate its approaches and handling of such diverse issues as public revenues, public expenditures, domestic production and consumption, the direction of prioritization of donor assistance, its public sector as represented by the Palestine Investment Fund, ...etc. The present and imminent danger of genocide and ethnic cleansing in the Gaza Strip, and expanding violence and economicide in the West Bank necessitate a more robust and transformative role of the PNA in economic policy-making and implementation.

Each of these economic issues requires an in-depth review that exceeds the limitations of this presentation. The extent to which the PNA would expand and enhance its role in the restructuring and implementation of its policies depends on the way in which the war would come to an end and the military operations come to a standstill. Various local and international institutions are suggesting multiple scenarios for the 'day after', with no clear or realistic expectation as to when that 'day after' would come (Khalid, 2024). The unavoidable fact is that the ruling Israeli coalition, which is likely to preserve its hold on power until the forthcoming Israeli elections in 2026, is clear on its policy objective of 'total victory'. Even if and when the Israeli military operations in the Gaza Strip would come to an end, the Israeli ruling coalition is likely to continue to maintain its blockade on the Strip and severe restrictions and closures on areas A and B in the West Bank.

In this context, the coming year or two may witness an extension of the ongoing military operations in the Gaza Strip and of the implementation of the Israeli 'decisive' plan in the West Bank. This will entail two immediate conclusions: 1) that the process of full-scale humanitarian relief in the Gaza Strip will not begin in the near future; and 2) that the PNA in areas A and B in the West Bank will continue to be subjected to Israeli closure, suspension of work permits in the Israeli economy, diminished public revenues, restrictions on movement and access, stringent trade barriers...etc. It is this set of prospects that the PNA needs to deal with in the immediate future as it reviews and restructures its economic policies.

These grim prospects and challenges cannot be adequately dealt with in the 'business as usual' mode of action. The specific and realist needs of war-torn societies "... include the establishment of a functioning state with the capacity to control its finances, social programs and institutional decision-making, policies which acknowledge the role that shadow economies play, and greater support for regional approaches to security and development" (Studdard, 2004).

The establishment of a functioning state apparatus with these capacities is also a prerequisite in the less-likely prospect of a cessation of military operations and the launching of a negotiated settlement process in the near future. This relatively optimistic prospect would bring about the launching of a full-scale humanitarian relief effort in the Gaza Strip, and the mitigation of the Israeli policies and practices that are strangling the economy of the West Bank, and the gradual transformation of the path of state-building in the oPt from the client state model to the developmental state model (Khan, 2004). This ambitious prospect, to be termed here as the 'restorative' prospect, however, "... can only be realized if Israel is willing to acknowledge previous agreements and pending obligations towards the Palestinian economy and territory as the baseline for a Palestinian statehood horizon, just as all parties had agreed until they were suspended since the last Agreement on Movement and Access following the Israeli disengagement from Gaza Strip in 2005" (Khalidi & Rafidi, 2024, p. 12).

4.1 Economic Priorities in the Restorative Prospect.

As outlined above, in the 'restorative' prospect, denoting an internationally sponsored negotiations on the Israeli military operations would come to an end, the Israeli blockade on the Gaza Strip would be lifted, the implementation of the 'decisive' plan in the West Bank would be suspended, Israeli restrictions on movement and access in areas A and B would be mitigated settlement process would be launched, and partial Palestinian access to the Israeli labor market would be opened up.

In this scenario, the PNA could begin with turning the economic policy that it had maintained and applied throughout the past two decades upside-down, i.e., from the dependence on the liberalization of trade and imports to increase clearance revenues, to an economic policy that supports domestic productive activities, import-substitution, investment in human capital development.

The prerequisite for the PNA capacity to carry out such economic interventions will be the mobilization of the efforts of the international community that would sponsor this process to enforce the implementation of all arrangements and steps agreed upon in the signed Oslo Accord. In this

context, the International Quartet's Road Map (which was adopted in UNSC resolution 1515), calls upon Israel, in phase one of the Road Map, to "... help normalize Palestinian life...restore the status quo that existed (in 28 September 2000)... Israel also freezes all settlement activities" (<https://www.hlrn.org>). This pre-September 2000 status quo comprises a Gaza Strip that is not subjected to blockade, a functioning safe passage between the Strip and the West Bank, the dismantling of hundreds of Israeli military checkpoints, the mitigation of restrictions on movement and access, the reinstatement of Palestinian labor in the Israeli economy, ...etc.

These steps and measures that are within the limitation of the signed accords would reinvigorate economic activities in the oPt, allow for unhindered flow of material and humanitarian assistance to the Gaza Strip, and increase public revenues through the 'normalization' of economic activities. This internationally sponsored process would also involve the regeneration of international assistance and create a normalized environment that would be conducive to the encouragement of domestic and foreign investment.

4.2 Economic Priorities in the Status Quo

The status quo necessitates invoking a state of emergency in the oPt in accordance with the relevant articles in the Palestinian Basic Law. Governments declare a state of emergency when it identifies "...imminent danger to the life of the nation... governments call states of emergency (to Invoke) the additional powers ...necessary to act with speed and due diligence to save people and alleviate the social and economic consequences of emergencies"(Bjornskov & Voigt, 2018). Levels, scope, and modes of government intervention in a state of emergency depend on the size of impact: partially/fully localized incidents, widespread/severe disaster, or extremely large in physical/social sphere (Alexander, 2015). Thus, the size of response would utilize mainly local resources, inter-governmental/multi-agency response, or major national and international resources and coordination involving massive challenges and significant long-term effects (Ibid.).

The perpetuation of the status quo in the West Bank requires the formulation of economic policies of sumud to confront the existential threats to the PNA comprising: the re-prioritization of expenditures, the re-allocation of resources, stringent austerity measures in public expenditures, and the expansion of social security coverage.

One of the multiple areas needing immediate intervention is in the deteriorating situation in food and nutritional security. A recent MAS report highlights the imminent threat of famine and acute malnutrition in the Gaza Strip as well as the consequences of increasing rates of poverty, unemployment, and expanding settler aggression in the West Bank (MAS, 2024b). In this context, a governmental program for immediate action is called for the expansion of social security protection and coverage, enhancement of food production, the support and protection of domestic food industries, financing mechanisms and instruments for the expansion of agro-industries, and robust anti-dumping measures to reduce the predominance of Israeli products in the domestic markets. The Israeli hostile measures against the UNRWA and its activities will require additional efforts by the PNA to address deficiencies and needs as part of its 'state of emergency' measures.

The cumulative effects of the perpetuation of the status quo in the coming year or two will place additional obstacles confronting centralized governmental activities. In this dire state of affairs,

recalling the Palestinian national experiences in the 1970s and 1980s that confronted harsh Israel policies with a national sumud strategy and action (Gabriel, 1988). The Palestinian national experiences in the first intifada provide us with guidance on the collective practices of sumud (Shwaikh, 2023), which centered around reviving household economies, cottage industries, and 'victory gardens', the expanded roles of non-governmental organizations, cooperatives, and syndicates (Danam 2014). These years also witnessed the proliferation of micro-project financing institutions that assisted the propagation of SMEs.

The lessons of the first intifada are neither exceptional nor unique. In this context, the challenges that confront governmental action in the status quo in the oPt justify the expansion of the role of civil society and localizing development. World Bank's report on experiences in localizing development, participatory development, and decentralization exposes rich experiences related to the multiple approaches that respond to developmental impediments and obstacles, whereby central governments and donors can play a pivotal role in guiding localized endeavors to serve nationally preferred trajectories of change (Mansuri & Vijayendra, 2013).

4.3 Immediate Policy Prospects

Strategic policy goals for a war-torn developing economy will remain pertinent, such as promoting innovation and industrial policy, intensive domestic productive investment and restoring food security and social justice. However, the hostile conditions of military occupation, at the very least, will constrain designing or trying to adhere to a coherent "development strategy". For the immediate stage, subsistence, survival, and recovery are the only socio-economic horizons.

The likelihood of the perpetuation of the present state of affairs of continued Israeli military offensive and blockade on the Gaza Strip and the imposition of closures and restrictions on areas A and B in the West Bank is subject to the stability of the present ruling coalition in Israel, which mandate extends to November 2026. An end to the ongoing war that began in October 2023 can only be imposed by an international community that has so far carried out inefficient efforts to do so. Facing these considerations, the economic policies of the PNA will need to be reformulated so as to adequately and effectively address existential threats.

The total destruction of the economy of the Gaza Strip, and the in the West Bank the cumulative effects of the increase in the rates of unemployment and poverty, diminished governmental revenues, reduction in public and private consumption, and intensified attacks by settlers is causing a downward spiral with scanty prospects for mitigation or alleviation pause threats and challenges that the PNA has not encountered throughout the past three decades – neither during the second intifada nor during the Covid-19 pandemic.

In the past few years, the capacity of the PNA to provide security and protection for its constituency in the West Bank has been eroding due to antagonistic Israeli policies; the war of October 2023 led further erosion and deterioration endangering its legitimacy, representativeness, and governing capacity. A robust and operable set of policy measures and steps taken by the PNA is exceedingly needed to deal with these challenges.

In the absence of an internationally enforced and sponsored process that would put an end to the military operations and launch a process for a negotiated settlement, the PNA will need protect and safeguard its body politic through the reformulation of its economic policies, objective, priorities, and the allocation of resources to enhance the steadfastness of its citizenry, prioritizing self-reliance, social protection, reduction of poverty and unemployment, productive activities, participatory and localized development.



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Discussant Comments: Mushtaq Khan

What has happened since October 7? Israel has now been internationally accused of genocide by different countries, there are now at least 14 years of rubble to clear and decades of reconstruction coming. Why has this happened? I think it cannot be explained by saying that Israel got very angry and overreacted.

It is not overreaction. I believe it is a fundamental change in strategy that has been brought about by October 7th and it opens up new possibilities, but new dangers. What I would say from the theory of political settlements is that any agreement, any peace agreement, can only be sustained if both sides agree that it is the best deal they can get given their understanding of their relative power. Here power is not just economic and military power. Power is also ideological power, such as Sumud, and also the power to construct organizations.

But let us go back to Oslo because my work in Palestine began with that period. Oslo seemed to offer a deal which was aligned with the distribution of power. Israel would get 78% of historic Palestine and it would give up territory that at that time nobody in the world recognized as Israel. In exchange it would get international recognition and peace. What happened after that was that Israel deliberately made that impossible. It constructed more settlements, it disrupted Palestinian rights, it made it impossible to reach an agreement. I think what that shows is that the problem with the two-state solution was not that it was a settlement out of line with the distribution of power, but that actually Israel does not want a settlement. Israel doesn't want the conflict to end.

This may be a very strong statement, but I think I can argue very strongly that that is the case.

Ben Gurion, and Netanyahu who is his worthy successor, have both said there is no solution to the Palestinian problem. It has to be managed. They say that because imagine what would happen if there is a solution. It doesn't matter if it's a one state, two state or several state solution. As soon as there is a solution, whoever is left within the territory that Israel claims is its territory will be a significant Palestinian minority who will demand equal rights because the conflict is over. And that is the end of Zionism. Zionism is a system of differential rights. It is not just differential rights in Gaza and West Bank, but also within Israel. Israel has to maintain these differential rights because it is not about territory, it's about Zionism. So if you think that the two state solution was disrupted by the settlers coming into the West Bank, my argument is that is wrong. The settlers are not powerful. It's the deep state in Israel which is powerful. And they pushed the settlers as a strategy to disrupt the two-state solution, not the other way around.

What happened in the next 30 years of post Oslo is a period of low-level conflict that was managed by Israel. We have to understand that this was Israel's preferred option. This wasn't a failure of the political settlement. This was the political settlement. That was the settlement that Israel wanted. And that solution was kept in place with a distribution of power that had three components. The first was Israeli violence against any Palestinian rights movement, whether this was house demolition in West Bank or the Gazan movement for land rights where snipers shot unarmed kids. The second strategy was what they called mowing the grass. They would go in and as soon as some organization was identified, they would kill and disrupt that organization. The third was the dependence of the PNA on Western funding that came with this idea that the conversation on the

two-state solution has to continue even when everyone knew it was going nowhere. October 7 destroyed this political settlement in some really important ways. Firstly, it demonstrated that mowing the grass doesn't work. Because the new technologies of warfare, which includes drones and missiles, can now be constructed in small factories underground. And this happened not just in Gaza, it happened on a bigger scale in Lebanon with Hizbullah. And what we now see is that, whereas in the past Hamas would take one or two hostages or kill one or two people, on 7 October, they were able to take hundreds of hostages and kill more than a thousand people.

And Hezbollah was able to displace tens of thousands of Israelis from northern Israel. This is unprecedented. It means that the military, intelligence and economic strategy of Israel has totally failed. We cannot understand the Israeli violence and the Israeli genocidal activity unless you understand that its military, economic and intelligence strategy is finished. Their problem is that even if it is demolishing Gaza, and Hizbullah appears defeated, there is no guarantee that in four or five years time, even more weapons will not be constructed, even more successful drones will not emerge, or that Hezbollah will not come back after the ceasefire with even more deadly missiles.

So, what we see is that in every conflict with the armed wing of the Palestinian movement, the armed wing is getting stronger relative to Israel, even though it is totally defeated every time. And now we are seeing another defeat. There is no guarantee that the next round will not be worse for Israel. This is their perception; this is their nightmare.

Now the second point is that paradoxically, this activity has also shifted the rights movement in the west towards the Palestinians. Young people are shifting towards the Palestinians in large numbers. Those two things together mean that the political settlement of the last 30 years is over, low-level conflict and containment is finished and a new Israeli strategy has emerged. That new Israeli strategy is to permanently destroy any capacity of the Palestinians to exercise resistance. They say that they want to destroy Hamas, they want to destroy the capacity of Hamas. What does that mean? That means that you cannot leave anyone in Gaza or in Palestine who in five years could make drones or who could make weapons, which actually means ethnic cleansing. It's not just about killing the current leadership of Hamas. It's about getting rid of the human capability to resist. This is actually the strategy. The US deep state also understands this strategy, and because they have nothing better to offer Israel they are going along with this strategy, but at the same time saying it's very unlikely this strategy will work.

The scenario of a kind of ceasefire without an end of war is actually the most likely option for the moment. But there is another option which we haven't discussed, which is that Israel actually carries out the genocide, carries out the ethnic cleansing and moves large numbers of people out. I think this is extremely unlikely, but it cannot be ruled out. That is their goal.

So I say that what we are seeing is the end of the first phase of the Israeli strategy. And I will end by quoting someone who is no friend of colonial people, Winston Churchill. And Churchill will probably turn in his grave to know that I'm quoting him in this context because Churchill was not a friend of Muslims, was not a friend of colonial people. But as a war strategist, he was brilliant.

If you remember the Second World War, one of the turning points was the battle of El Alamein in Egypt, when the German forces using their strategy of rapid mobilization of tanks to capture territory

which they called blitzkrieg, which had been successful in the first couple of years of the war, finally failed at El Alamein. That strategy failed because the British found a way of stopping that. And Churchill said something really interesting then. He said about that battle that this is not the beginning of the end. It's not that from now we will start winning, it's not the beginning of the end. After the El Alamein battle, the Germans won lots of battles. But what Churchill said very presciently is that it's the end of the beginning. It was the end of the successful German strategy of blitzkrieg.

Now what I think 7th of October represents is not the beginning of the end. There's a long way to go, but it's the end of the beginning. The low-level conflict maintained by Israel for the first 30 years after Oslo is over. And I think what we have to discuss is what that means for Palestinian strategies. Business as usual is over.



Second Paper

International Scientific Symposium

Priorities for Palestine's Economy in the Midst of War

Palestinian Agriculture, Food Security and Incomes in the Context of Genocide

**Dr. Samia Al Botmeh
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This is the Second Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

The ongoing genocidal war in Gaza has been detrimental to the lives and livelihoods of the Palestinians in both the Gaza Strip and the West Bank. In Gaza, the daily massacres, continuous displacement of the population, destruction of infrastructure, agricultural land, and means of production have made it impossible to sustain economic life. The ongoing war's impact involves immediate humanitarian concerns, yet goes beyond that to alter the socio-economic landscape of the Gaza Strip. The situation in the West Bank has also been arduous. Settler attacks, land confiscation, closure of the Israeli labour market in the face of Palestinian workers, and movement barriers coupled with broader trade restrictions and supply chain disruptions, have severely impacted its economy. In light of the devastation brought upon the occupied Palestinian territory (oPt), the focus of this paper will be on its impact on agriculture, food security, and incomes as well as the potential policies to protect its economy to set it on a course towards recovery.

1. Starvation as a Tool of War and Genocide

Since the first day of the war on Gaza in October 2023, Israel has sought to break the resilience of Gazans, using starvation as a weapon. The UN Special Rapporteur on the Right to Food, Michael Fakhri, noted in March 2024: *'In Gaza today, we are witnessing how Israel is using starvation as one of its tools to commit genocide'*. This situation materialized as a result of Israel's tight siege on the Strip following October 7 whereby all crossings were closed and trucks, whether loaded with aid or commercial trucks, were prevented from entering the Gaza Strip. Since then, a very limited number of trucks have been allowed to enter the Gaza Strip; before the Rafah crossing was closed, trucks entered at a rate of one truck every 3 hours and 12 minutes, and not all of them were loaded with food. (Borger, 2023) Oxfam has estimated that only 2% of the needs of the population in Gaza's population were allowed to enter the Strip throughout the period of the war. (Oxfam, 2023)

As a result, the Palestinian Central Bureau of Statistics confirms that there is a severe shortage of medicines, health supplies, and foodstuffs and that such are provided at minimum levels that do not exceed 5% of the quantities that should be provided to Gaza Strip (PCBS, October 2024). A UN Rapporteur has wondered about the speed with which a civilian population has been forced to go so severely hungry so quickly compared to other locations around the world. The answer to this question lies in the 17-year Israeli blockade of Gaza, which created a population that is totally dependent on aid and food trucks that came in through the Israeli-controlled borders. Oxfam points out that before the war, one truck entered the Gaza Strip every 14 minutes, totaling 104 trucks per day. (Oxfam, 2023) This means that the Israeli blockade on Gaza kept everyone in the Strip on the verge of hunger. As a result, before the current ongoing war, half of the population in Gaza was food insecure and 80% relied on humanitarian aid. (Fakhri, 2024)

This dire situation is not limited to food, as Gazans were driven to thirst quickly. Before the war, there was a lack of access to clean drinking water, as 97% of the water in the Gaza Strip was contaminated. The overconsumption of underground water by settlements over the period 1967-2005 contributed to this contamination. In addition to the lack of purification plants for wastewater, which is disposed of in the sea and valleys, thus leaking into the freshwater aquifer. Israel also established dams that prevent water from reaching the Gaza Valley, which reduces the quantity and quality of water feeding the aquifer. (Tamimi, 2023)

The war exacerbated the poor conditions of water availability in the Gaza Strip, as about 40% of the water networks in the Gaza Strip were destroyed and the main pumps were disabled due to bombing or fuel depletion, with one desalination plant operating at 5% capacity and two plants are completely out of operation. At the same time, more than 194 water production wells, 40 large water reservoirs, and 76 desalination plants were damaged by Israel, either entirely or partially. (PCBS, 2023) In November 2023, it was estimated that 3 liters of water would be allocated per person per day in Gaza, knowing that the minimum in times of crisis, according to UN estimates, is between 7.5 and 20 liters per person per day to meet their basic daily health needs.

The agricultural sector and farmed land have endured the worst of this aggression. According to FAO (September 2024) 67.6% of the cropland in the Gaza Strip, more than 71% of orchards and trees, and 67.1% of field crops have been fully destroyed. At the same time, 44.3% of the Gaza Strip's greenhouses have been damaged. A comparison of imagery from August 2023 and August 2024 revealed significant destruction; 42,500 square meters of solar panels were destroyed. Such carnage aims at destroying the resilience of the Gazans to withstand the genocide through using destruction and starvation as a weapon. The port of Gaza City infrastructure and vessels, which was a vital hub for economic activity were destroyed at the beginning of the war (October and November 2023) and remain non-functional, severely impacting local trade and livelihoods. The consequences of this Israeli aggression on agriculture and farmed land were not limited to Gaza. The West Bank saw the systematic uprooting of trees by settlers, demolition of farms and productive structures by the Israeli army, denial of access to farmers to pick olives which Palestinians rely on for food and income, as well as confiscating land and resources. Since the beginning of October 2024, OCHA has documented 203 incidents involving settlers directly related to the olive harvest in 79 communities across the West Bank, the majority of which (151 incidents) resulted in casualties or property damage. In this period, 69 Palestinians were injured by Israeli settlers, 13 by the Israeli army, and more than 1,600 mostly olive trees burnt, sawed-off, or otherwise vandalized, and many crops and harvesting tools stolen. These colonial measures caused a sharp contraction in the West Bank's productivity base, and an unprecedented increase in the unemployment rate (OCHA, November 2024).

1.1 Food Insecurity Outcomes

Food security, according to FAO *'exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.'* The current situation in Gaza underscores a severe and worsening crisis of food insecurity. By June 25, 2024, an alarming 96% of Gaza's population, equivalent to 2.15 million people, were enduring acute food insecurity, categorized as IPC phase 3 or higher. By September 2024, around 495,000 individuals, or 22% of the population were experiencing catastrophic food insecurity, classified as IPC phase 5 or famine.¹ This stark reality signals an urgent need for comprehensive humanitarian intervention and policy action to address the deepening food crisis in the region.

The situation in the north of Gaza became catastrophic in early October 2024, when the Israeli army resumed a major ground invasion, and mass evacuation orders affected hospitals, nutrition

¹ According to the Famine Review Committee, famine is a term used to describe the fifth phase of food insecurity across an entire area. Famine occurs when at least 20% of the population is in IPC Phase 5 (catastrophe), with one in three children acutely malnourished and two in 10,000 people dying, or four in 10,000 children dying every day, due to outright starvation or the interaction of malnutrition and disease. Source (IPC. Fact Sheet the IPC Famine- March and September, 2024).

clinics, and other critical facilities. The northern population remains heavily reliant on aid due to extremely limited commercial food availability. In October 2024, WFP had only reached 42% of the 1.1 million people targeted for food assistance in Gaza, with reduced rations due to dropping aid levels (WFP, October 2024). In the southern part of Gaza, during October 2024, the entry of food through southern border crossings reached its lowest since October 2023, covering only 10-15% of the population's daily caloric needs in September. Restrictions in early October threatened food availability further, as Israel limited truck approvals to 50 per day, down from an average of 85-90 trucks from May to September (FEWS NET, September 2024).

The World Health Organization (WHO) reported that 165 patients had been admitted to hospitals due to severe acute malnutrition on August 20, 2024 (WHO, August 2024). The situation deteriorated further after October 7, 2024, when 34 people, mostly children, died from malnutrition. This tragic loss of life highlights the devastating impact of hunger and malnutrition, particularly on mothers and infants, severely impairing children's survival, growth, and development (ESCWA, October 2024). The swift imposition of widespread food deprivation on millions has been so severe that the people of Gaza now compose over 80% of all people starving globally. All children under the age of five are at high risk for severe malnutrition, leading to stunting, which can have irreversible impacts on growth and development. (ANERA, February, 2024)

An assessment by UNICEF conducted between July 19 and 25, 2024, revealed that markets in Gaza City were devoid of vegetables and fruits due to high transportation costs and logistical challenges. Prolonged transit periods for trucks at crossings further increased the risk of food spoilage, worsening the availability of fresh produce. Additionally, a survey by UN Women highlighted that 99% of households with pregnant women struggled to access nutritional products and supplements, with 78.4% of these unable to take necessary tests to monitor their nutritional and health status. This paints a critical picture of nutritional deprivation and devastation to individual and public health in Gaza. OCHA report shows that, since mid-January 2024, a total of 280,591 children aged 6-9 months have been screened for malnutrition, of all screened children, 18,239 have been diagnosed with acute malnutrition, of whom 14,243 with moderate acute malnutrition, and 3,811 with severe acute malnutrition, including 145 of them with medical complications. (OCHA, September, 2024)

1.2 Rising Unemployment, Shrinking Wages, and Declining Incomes

The unemployment rate in the oPt increased significantly over the course of the past war year; rising to 51% (35% in the West Bank and 80% in Gaza), according to PCBS estimates. These figures are unprecedented in comparison to the unemployment rates during the past politically turbulent 30 years. These rising unemployment levels have exerted downward pressure on local daily wages, with PCBS projections indicating a 10% decline in 2024 compared to 2023, which are anticipated to be among the lowest in the post-Oslo Accords period. (ILO & PCBS, October 2024).

In addition to the devastating impact of the war on workers in the Gaza Strip, most of the 171,000 workers from the West Bank who previously worked in Israel and the settlements, have lost their jobs. Only around 10,000 – 25,000 of these workers are reported to have worked in the Israeli economy throughout 2024, as reported by PCBS. This amounts to around 6% of the total number of West Bank Palestinians who worked in Israel and the settlements pre-October 2023.

Additionally, given the escalating Israeli colonial policies in the West Bank and its impact on supply chains, production capacities, and workers' access to their workplaces and losses in private sector employment in the West Bank. (Ibid)

In the Gaza Strip, nearly 100% of the population now lives in poverty, reflecting the dire situation faced by families struggling to meet basic needs. Meanwhile, the significant economic contraction in the West Bank is estimated to have more than doubled the short-term poverty rate, rising from 12% in 2023 to 28% by mid-2024. (World Bank, September, 2024)

As a result, the economic and social situation in the OPT is projected to deteriorate further, the Human Development Index (HDI) may fall to 0.643, levels last seen before 2004, while Gaza's HDI is projected to drop to 0.408, wiping out 20 years of progress. (ESCWA and UNDP, 2024) Poverty could rise to 74.3%, affecting 4.1 million people, and multidimensional poverty is expected to surge to 30.1% from 10.2% in 2017, exacerbating deprivations in housing, services, and safety. (World Bank, September, 2024)

These devastating outcomes are further compounded by inflationary pressures, which erode individuals' purchasing power and their ability to meet their most basic needs, particularly amid increased job losses and reduced incomes. In April 2024, year-on-year inflation reached 34% in the oPt, soaring to 153% in the Gaza Strip, while remaining comparatively lower at 4.2% in Jerusalem and 2.5% in the West Bank. (PCBS, May, 2024)

In summary, the war on Gaza indicates that Israel has been targeting and destroying food systems and devastating agricultural land, thus exacerbating an already dire food crisis and shattering income levels. Gaza is still facing genocide with severe humanitarian needs, including food insecurity. Every Palestinian in Gaza has been affected, with over two million people uprooted from their homes and facing acute shortages of all basic necessities. The physical damage alone was already catastrophic, basic services have been devastated, and health services have been left barely functioning and on the verge of collapse due to a lack of access to medicines, ambulances, basic lifesaving treatments, electricity, and water. All Palestinians in Gaza are now considered poor, and formal employment is largely limited to those working on the humanitarian response, journalists, and some petty trade. Electricity, water, sewage and solid waste, and telecommunications services are severely degraded and inadequate to the needs of the population.

At the same time, the occupied West Bank, including East Jerusalem, has been enduring increasing settler violence, settlement expansion, strict movement restrictions, demolitions, and displacement have caused human suffering, stifled economic activity, and curtailed access to basic services. The looming threat of annexation of parts of the West Bank poses yet another existential challenge.

2. Main Challenges for relief, rehabilitation and recovery

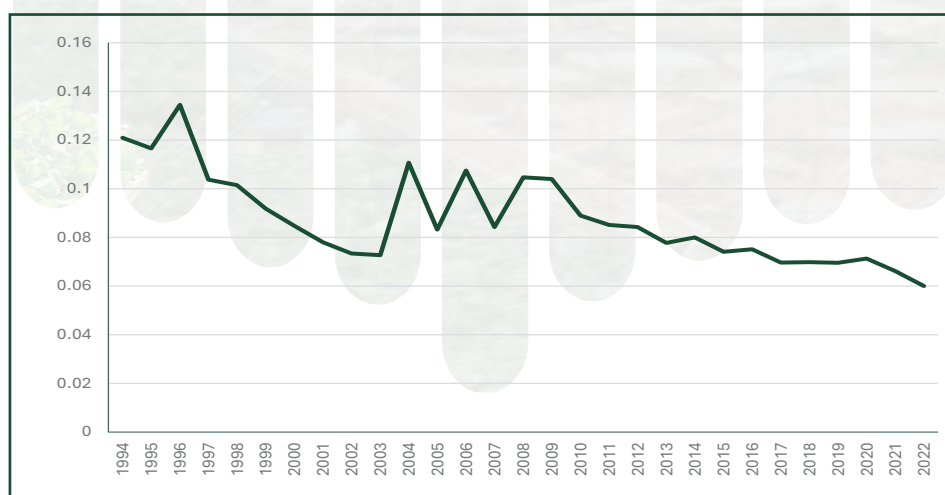
The *first challenge* facing the recovery process is the scale and extent of destruction in Gaza and to a lesser extent in the West Bank which not only inhibits immediate access to food but also reduces the population's long-term prospects for food autonomy and sustainability.

Yet, the challenges faced by the Palestinian economy are not solely a consequence of the past year of war but are rooted in a prolonged 57-year occupation and 17 years of siege on the Gaza Strip. The occupation of the West Bank and Gaza Strip since 1967 has led to an erosion of the productive base of the Palestinian economy, coupled with the confiscation of resources essential for growth and development. (UNCTAD, 2017) The genocide in Gaza not only exacerbates pre-existing challenges but has led to profound destruction of all aspects of life in the Strip, rendering it essentially uninhabitable, as described in the early stages of the war by the Palestine Economic Policy Research Institute, MAS (November 2023).

2.1 Erosion of the productive capacity of the agricultural sector

The *second challenge* to food security and sustainable incomes lies in the long-term structural weakness of the agricultural sector. The food insecurity generated by Israel's colonial attack on Gaza is part and parcel of a long history of systematic measures by Israel to undermine food security of the Palestinians. Agriculture has always contributed to Palestinian income, exports, food security, and job creation in the OPT. However, the sector has been operating well below potential for years. Its contribution to GDP and exports has been declining for decades now, while the absolute size of agricultural output has been fluctuating, with a clear downward trend.

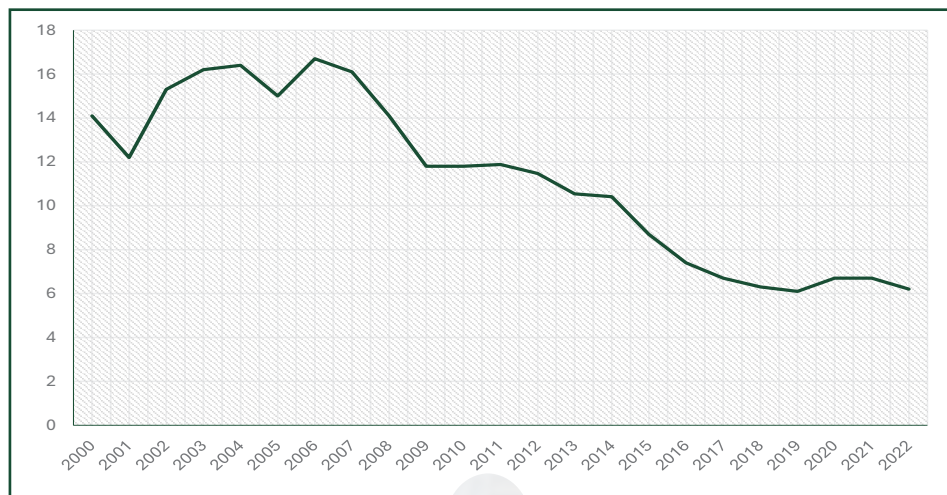
Figure (1): Percentage contribution of agriculture to GDP, 1994-2022



Source: PCBS, national accounts statistics, various years.

Palestinian agricultural output and productivity have lagged behind that of comparable countries in the region. For example, on average, the yield per dunum in the OPT is half that in Jordan, despite nearly identical natural environments. (UNCTAD, 2015) The majority of those who still are engaged in farming, do so as a secondary activity. According to PCBS's 2020/2021 agricultural census, only 3% of agricultural holdings account for 100% of a household's income while only 32% of farmers considered farming as their primary work. Farming land has gradually shrunk and become more fragmented. Between 2004 and 2020, the average agricultural landholding dropped from 18.6 dunums to 8.6—a 54% decrease over the course of 16 years. (PCBS & Ministry of Agriculture, 2023) In addition, employment in the agricultural sector has also declined substantially. As of 2023, only 6.2% of OPT workers were engaged in the agricultural sector. (PCBS 2016 and 2022).

Figure (2): Percentage of employment in the agricultural sector 2000-2022



Source: PCBS, labour force survey, various years.

Much of the difference in land productivity observed and the decline in the agricultural sector is due to the impact of Israel's colonial measures on Palestinian agriculture. Israel's restrictions on the importation of fertilizers and restrictions on the movement of farmers, services, and agricultural trade entail additional financial and time-related costs. It is estimated that the costs of exporting and importing borne by Palestinian producers are twice as much as those borne by their Israeli counterparts, while procedures for importation require four times the amount of time Israeli importers spend on similar activities. (UNCTAD, 2015) The blockade of the Gaza Strip for the past 17 years before the current war led to the contraction of cultivated land in Gaza as a result of Israeli harassment of farmers. At the same time, the restrictions on entry of fertilizers, and pesticides, as well as limits on water use have all combined to bring the sector to its knees.

Over the years, Israel used the land classification within the Oslo Accords (A, B, and C) to tighten its control over Palestinian land, especially in areas classified as (C) which are under Israel's full control. As a result, by the end of 2021, more than 63% of the area (C) has become directly exploited by settlements regional councils. The overall area controlled by Israeli settlements in the West Bank represents 10% of the total area of the West Bank. Whereas the confiscated areas for military bases and military training locations represent about 18% of the West Bank, this is in addition to the annexation of land by the apartheid wall that has isolated more than 10% of the area of the West Bank. In addition, since 1967, the Israeli occupation authorities have confiscated about 353 thousand dunums of Palestinian lands and classified them as natural reserves in preparation for their seizure. At the same time, settlers' attacks varied from uprooting, destroying, and burning trees, to leveling operations of Palestinian lands. (PCBS, 2022)

2.2 Palestinian Authority's (PA) neoliberal development policies

The *third challenge* to relief and recovery lies in the nature of the policies stipulated in the Palestinian Authority's (PA's) series of development plans issued since 1996, which have been generally neoliberal in orientation, focusing on individual profit-based market outcomes with minimal regard for policies challenging settler colonialism on the ground. As a result,

investments in the agricultural sector have been minimal, on the assumption that it is a low-productivity sector. In line with this reasoning, the PA dedicates less than 1% of its budget to agriculture. (Dana, 2020) This implies that economic development has long been decoupled from any emancipatory political or social program and oriented towards market profit. This leaves the land vulnerable to land confiscation with more reliance on the Israeli economy for essential agricultural commodities.

Free trade based on liberal principles which are propagated by the various development plans and PA policies implies that Israeli goods and commodities are freely imported into the West Bank and Gaza with no chance of protection for Palestinian agriculture. As is known in the established classical Litzst's infant industry tradition, protection in the early stages of development, is a prerequisite for the success of any sector, till it actually stands on its own feet before it is open for competition. (Metitz, 2005) Such protection has never been available to Palestinian products under the pretext of free open markets.

As in the rest of the Middle East, liberal market-economy policies have resulted in the promotion of the non-tradable rent-seeking sectors at the expense of the productive sectors. For example, the land market has become a liability for sustainable development in the oPt. The land registration process (Tasweeya) which has been devoid of any production-promoting policies, has played a role in raising the value of land as a marketable asset compared to its cultivable productive role. The value added to the development process from trade in land is insignificant compared to its productive role which has economic but also socio-political implications.

2.3 The Weak fiscal position of the PA

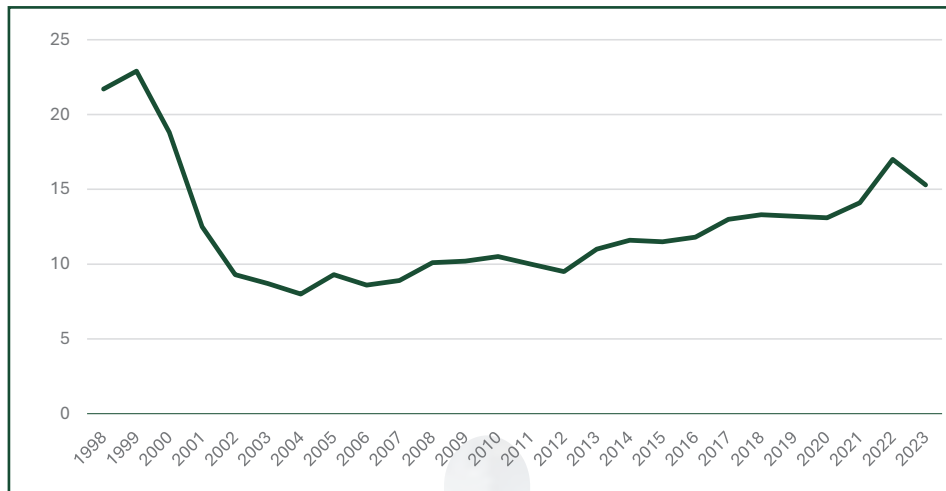
The fourth challenge in the face of recovery lies in the PA's weak fiscal position. Israel continues to withhold a substantial percentage of the PA's customs taxes since November 2021 which has severely damaged the fiscal situation of the PA, and therefore its ability to govern. As a result, public sector employees have only received partial wage payments² and they are owed millions of dollars in wages, thus leading many government offices to work remotely in order to reduce the number of public sector employees commuting to work. At the same time health and education services have been adversely affected. A number of PA schools have been running a 4-day school week instead of 5 days. This deterioration in the position of the PA undermines its ability to deliver services and engage fully in the process of recovery and reconstruction in Gaza.

2.4 Dependence on work in the Israeli economy and lack of control over economic policies

Ever since 1967, Palestinian workers have been engaged in working in the Israeli labour market. Their numbers have fluctuated over time based on political rather than economic considerations. The reliance of the Palestinians on work in the Israeli labour market allows Israel to shut down its market in the face of Palestinian workers, which not only exacerbates unemployment and devastates wages, but puts Israel in a position to bring the Palestinian economy to its knees every time it wished to punish the Palestinians politically.

² As of February 2024, public sector employees were owed 4.3 times their full monthly salaries by the Palestinian Authority, which amounts to a total of USD 48.4 million for employees in Gaza and USD 102.7 million for the West Bank's civil servants (ILO March, 2024)

Figure (3): Percentage of Palestinian workers employed in the Israeli labour market



Source: PCBS, labour force survey, various years.

The lack of control over monetary policy, custom tax revenues, and land zoning implies that the Palestinians have minimal space for maneuvering. This calls for utilizing alternative policy tools that are centered around resisting settler colonialism instead of continuing to attempt to comply with goals imposed on the Palestinians by the international donor community that are usually difficult to achieve under regular conditions and totally impossible under colonialism.

2.5 Inadequacy of food security paradigm under settler-colonialism

The final *challenge* highlighted by this paper focuses on the continued utilization of the food security paradigm instead of other more relevant anti-colonial paradigms, including food sovereignty. The model utilized for food security is based on the 1996 Rome declaration which has focused on providing access to food, mostly through trade or food aid. (FAO, 1996) This model, however, tends to ignore the power dynamics that mediate food access. As noted by Nimer of Al-Shabaka (2024) *'Critically, reliance on trade makes Palestinians vulnerable to exogenous shocks. The initial years of the COVID-19 pandemic highlighted this risk when the disruption of international trade and food imports exacerbated food insecurity. The economy's shutdown caused many to lose their income and, consequently, the ability to afford food.'*

Well before the current genocide in Gaza, Israel has engaged in confiscating land, uprooting trees, and restricting Palestinian use of water in the West Bank. In Gaza, Israel has historically determined how much food Palestinians are allowed to produce by making large swaths of agricultural land unusable. These actions have not only undermined food security but impacted the core of life and livelihood sustenance both in Gaza and the West Bank.

Therefore, food insecurity within the oPt is not just a recent war phenomenon, rather it is integrally related to Israel's long-standing settler colonial policies, which eroded the Palestinian economy's productive capacity and rendered the oPt dependent on aid and income from workers in Israel. In this respect, Palestinians are totally dependent on external sources for their sustenance in the form of food security. This raises the need for exploring other paradigms for achieving long-term sustainability of life in the oPt. A discussion of this follows in the next section.

3. Priorities for relief, rehabilitation, and recovery

Several plans have been proposed for relief, recovery, and reconstruction in Gaza once the war is over. This includes the Palestinian Prime Minister's 'A day after plan for Gaza' (Palestinian Prime Minister's Office, September 2024), as well as UNCT-HCT's (September 2024) 'Early recovery approach and action plan', amongst others. The priority that these plans and others have set forth is the need to provide: (1) immediate life-saving humanitarian relief in the form of food, shelter, and basic essential services, (2) rapid damage and needs assessment framework that would be the basis for early recovery and reconstruction work. The plans rightfully call for taking into account universal developmental principles such as Palestinian ownership, gender parity, vulnerable groups' inclusivity, integration of government and civil society institutions' efforts, emphasizing the role of UNRWA to meet the growing needs of refugees across the oPt, etc.

Yet any viable relief, recovery, and reconstruction action must be firmly rooted in a broader developmental political economy framework that can address the effects of the humanitarian catastrophe and generate momentum to rebuild Gaza and the West Bank with a view towards decolonization. As such, the Palestinian people's right to development and self-determination should not be replaced by humanitarian and economic assistance, essential as these may be in the interim. The role of the recovery would be to meet the immediate life-saving needs but to do so in a manner that supports the foundations for sustainable recovery as well as dignified political resolution. Development gains from the process of recovery can be accomplished by fostering a synergy linking relief to development.

How could this be achieved given the paper's particular focus on agriculture, food security, and incomes?

Given the scale of devastation in the Gaza Strip, the Palestinians have no choice but to rely on the food security paradigm through food aid in the short run. Yet given the shortcomings of the food security paradigm, and its biased power dynamics in favor of Israel and the international community, there is a need to reorient these power dynamics in favor of the Palestinians through addressing the paradigm of food sovereignty, particularly in the long run. Food sovereignty can be defined as *'the right of peoples to health and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute, and consume food at the heart of food systems and policies rather than the demands of markets and corporations'*. (Declaration of Nyeleni, 2007) Therefore, food sovereignty promotes agrarian and food rights for peasants through an agenda that centers itself on reorienting food systems around local production grounded in agroecological principles. (Wittman, Annette and Nettie, 2010).

Food sovereignty emphasizes reclaiming land and resources, creating communally organized production, enhancing the productivity of agricultural land, and building the infrastructure needed to support a resistance economy. This perspective starkly contrasts with the cash-crop export orientation strategy currently employed and encouraged by the Palestinian development plans, in which Palestinian farmers are encouraged to grow crops instead of achieving a basic level of self-sufficiency and food sustainability.

A return to tending the land based on utilizing local inputs of agricultural production, ecologically sound pesticides, and fertilizers, which aim to enhance the productivity of farming along economic lines is essential. A number of initiatives aimed at ecological farming with organic produce have been established across the West Bank with viable economic returns. These include initiatives such as 'Adeh' and 'Khadra', which all take into account the need to maximize profit for farmers, but also work on the backward and forward linkages in agriculture. These initiatives have already been experimenting with producing organically based pesticides and fertilizers which can be marketed instead of relying on Israeli or international versions that are much more costly, as well as depriving the Palestinians of their capacity to control the entire value chain process of farming.

How can these initiatives be transformed into a viable sector with sustainable incomes? As noted by Nimer (2024), the answer lies in a solidarity–resistance-based economy, whereby a successful shift to food sovereignty cannot be separated from a broader socio-political movement encouraging Palestinians to support their farmers, even when the price is initially relatively higher. As in the case of the infant industry example cited earlier, locally produced food should be seen as an investment that initially might be more costly, but as production becomes more efficient with rising production, it is likely that prices will decline, thus taking a step towards a more dignified future. This approach is especially key for strategic crops, such as wheat, fruits, and vegetables, that are currently cheaper to procure either from abroad or in Israel. Those who can return to the land should be encouraged to do so, with support from the PA through tax policies.

In the Palestinian context of settler colonialism, and particularly since the restrictions on trade with the rest of the world impede the viability of economic enterprises, the best opportunity to expand the productive sectors (agriculture and manufacturing) would be to replace imports of Israeli goods and services by local production. According to MAS, there are more than 36 goods and commodities (agricultural and simple manufacturing) with a total value of \$1,563 million that can be replaced by locally produced products. (MAS, 2024) By reciprocating Israel's shutting down of its economy in the face of Palestinian products, the PA can restrict the entry of Israeli goods and commodities for which there is a Palestinian alternative.

Given the restrictions on the PA's capacity to alter tariffs to protect the local market (courtesy of the Paris Economic Protocol), official government support and endorsement of the boycott, divestment, and sanctions (BDS) Movement can be utilized as an economic mechanism to enhance local production and consumption without having to engage Israel in dialogue over trade measures. By promoting the boycott of Israeli goods, and not only the small fraction of settlement goods, Palestinians can enhance the production of local goods and commodities, lessen their dependency on the Israeli economy, and enhance their ability to survive and resist Israel's colonialism.

Strengthening social protection systems will also be vital, particularly by linking short-term humanitarian interventions to long-term sustainable and rights-based frameworks that contribute to a stronger national social protection floor. Further supporting the humanitarian-development approach in social protection is pivotal to delivering resilient social assistance programs to the many facing poverty and vulnerability, while also sustaining recent advancements in the sector, namely the introduction of social allowances for persons with severe disabilities and older persons, and relaunching efforts towards the establishment of a social insurance system for all Palestinians.

Investing in education and skills development is equally essential. This investment not only helps equip workers with the skills needed for a post-war labour market recovery but is also crucial for generating dignified income levels that save workers and their families from poverty.

4. Conclusion

This paper has highlighted the dire situation of the agricultural sector, food security, and incomes in the oPt, particularly in light of the ongoing genocide in the Gaza Strip since October 2024. Although the scale of devastation in the Gaza Strip has been immense, Palestinians need to switch to developing both short-run and long-run strategic goals in order not to only mitigate the impact of colonialism, but also to contest and rise against settler-colonial hegemony.

Palestinians do have policy options to challenge the colonial reality, including the use of trade policy measures to protect the productive sectors; supporting the boycott, divestment, and sanctions movement to promote local production; utilizing food security paradigm in the short-run while fostering processes towards food sovereignty in the long run; using fiscal tax incentives to encourage productive farming; creating and safeguarding backward and forward linkages in agriculture (including local distribution and marketing channels); and revitalising education in the area of agriculture.



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Discussant Comments: Jomo Kwame Sundaram

My comments on Palestinian food security priorities are in two parts. First, the MAS paper acknowledges the dire situation in Palestine including the limited potential for sustainable food agriculture. The gravity of the situation has to be considered in larger context.

1. Food security

Over the last decade, there has been a steady deterioration of food insecurity worldwide. For the last decade since 2014, increasing numbers of people have become food insecure, according to FAO. This is, of course, very serious and tragic.

- But the World Bank continued to report declining poverty worldwide until the COVID-19 pandemic. This challenges us to rethink our poverty data, indicators and measures.
- After all, poor people spend more than half their paltry incomes on food. So, if more people are getting hungry, why was this not reflected in poverty indicators? Perhaps measures referring to the poverty line income in money terms do not tell us what we think they tell us.
- Also, as the world's population has become more urbanized, less people are able to produce food for their own consumption. Such food is neither sold nor purchased, not entering markets. Thus, hunger has worsened with urbanization and greater monetization of the means of meeting human needs.
- So, when the World Bank tells us that poverty is declining, while food insecurity is getting worse according to FAO, the FAO has to be taken more seriously as far as poverty versus food insecurity measures are concerned.
- After all, the FAO uses the Bank's income data but also looks at the costs of getting enough carbohydrates to maintain a sedentary lifestyle. However, the poor can hardly afford to live and earn enough while living a sedentary lives.
- This raises important issues about the meaning and interpretation of data. Data reliability is of general concern, especially in poorer developing countries.

2. Palestine at great risk

Food insecurity and hunger in the world have been getting worse, but the situation in Palestine is far worse, particularly since then. The MAS paper shows over two-thirds of the Palestinian population have experienced food losses.

- The situation in the Occupied Territories and the Gaza Strip is of grave concern. Less than two decades ago, census and other statistical data collected by the Palestinian authorities were deliberately destroyed to undermine their ability to govern well.
- In the recent period, things have been getting worse on the ground with the situation said to have greatly deteriorated. There was no significant improvement in Palestine after the pandemic was largely over, well before October 2023.
- Water resources, so essential to human, plant and animal life and growth, have been severely compromised. The very physical survival of the Palestinian population is at stake.
- This is especially important to recognize and contextualize especially with concerns about an apparent strategy to eliminate the Palestinian population of Gaza, but possibly also in the West Bank.

3. Settler colonialism

So, the questions of sustainable agriculture, food security and incomes affect the very survival of the Palestinian population. This alone is very different from other recent settler-colonial situations including South Africa under apartheid.

- In Australia, it was claimed there were no people there. The British settler-colonial slogan for Australia was similar to the Zionist one of 'a land without people for a people without land'.
- That was the slogan in Australia as in Palestine. But unlike Australia, the in situ elimination of the Palestinian population is ongoing. This is a crucial difference.
- Seen in the context of contemporary Israeli settler colonialism, the question of food – and water – supplies is especially important, taking on a new significance given Zionist state and settler interests and strategies.
- The second part of the MAS paper suggests policy priorities for Palestine. While at the Food and Agriculture Organization of the United Nations in Rome, I have long supported calls for food sovereignty.
- International trade trends are also a source of concern for developing countries. The deterioration of the terms of trade for agriculture against industry was demonstrated by Hans Singer and Raul Prebisch soon after World War Two.
- Arthur Lewis argued there was a significant deterioration of tropical agricultural terms of trade compared to temperate agricultural exports. Bilge Erten has shown both deteriorations have extended into the early 21st century.
- But in the present context, food sovereignty is not the most urgent priority. Palestinians today face multiple threats, many existential. The very survival of the Palestinian population is at stake.
- It is important to recognize and contextualize specific challenges to realizing food sovereignty in particular contexts.
- Food sovereignty objectives may not even be feasible for many communities and populations involved where territories are relatively small or ecologically inhospitable for viable peasant food agriculture.
- How do we ensure food supplies needed to ensure that current and future generations of Palestinians can not only survive, but also thrive and progress in the face of the threats they face?
- The survival of Palestine and, especially of the Palestinian people, is most crucial right now. For a relatively small territory such as Palestine, with water and even land resources under threat, food security and nutrition must surely be the top priority.

4. What can be done?

So, what can be done? MAS suggests a number of things which are important. In addition, it is important to consider the larger weaponization of economic relations, including international economic relations, in recent times.

- Arguably, viable resistance has been led by the BDS, or the boycott, divest and sanction movement. This seems to be one of the few languages they understand especially when the experience of the South African anti-apartheid struggle is considered.
- But we also need to think about pragmatic short-term strategies for survival as well as medium-term strategies going forward. It is also important to ensure adequate food supplies reach the Palestinian population, in the near term, especially for the people of Gaza.

- To make a seemingly outrageous proposal, why not order food supplies with payment after delivery from companies associated with Donald Trump or his closest friends. After all, there are few others who can actually ensure food delivery to the Palestinian population in Gaza in these times.
- We also need to consider other prudent strategies. This includes ensuring the property rights of Palestinians are preserved and protected? This rules out major land reforms in the present situation as desirable as this may be.
- This is crucial because of the threats posed by the Israeli state, but also belligerent settlers, serving as the 'civil' wing of the Zionist movement. We need to rethink what is needed and necessary going forward.



Third Paper
International Scientific Symposium

**Priorities for Palestine's Economy
in the Midst of War**

**Managing Banking and
Money under Occupation**

Habib Hinn

Dr. Christopher Harker

This is the Third Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

Abstract

This paper examines the severe vulnerabilities of the Palestinian banking sector amidst the ongoing war and escalating Israeli policies of de facto annexation in the West Bank. The widespread destruction in Gaza has devastated banking infrastructure, disrupted payment systems, and severely limited residents' access to funds, intensifying the suffering caused by loss of life, displacement, hyperinflation and starvation. Coupled with Israeli threats to terminate correspondence banking relations, these factors are sending ripples throughout the economy, placing it on the brink of a potential systemic collapse and highlighting the fragility of banking under occupation.

Palestinians are at a critical juncture in a long history marked by dispossession, misery, and inadequate international response. The life and future of Palestinians is at stake. This moment calls for decisive interventions to support Palestinian steadfastness and safeguard economic—and human—rights amidst rising Israeli violence and arbitrary restrictions and policies. While previous and ongoing efforts to support the banking sector must continue, a new approach is urgently needed—one that centres citizens and communities in planning, policymaking, and intervention to ensure they can withstand and emerge from crises.

1. A Rising Tide of Settler Colonialism

Israel's actions and policies over the past fourteen months have ravaged the Palestinian economy and effectively extinguished any remaining prospects for peace and a two-state solution. Today, the future of Palestine—its institutions and its people—appears darker than ever. Nearly all of the Gaza Strip has been reduced to rubble, leaving people with no homes, schools, or community spaces to return to. 87% of Gaza's housing units are either destroyed or damaged (United Nations Office for the Coordination of Humanitarian Affairs [OCHA], 2024a). The level of devastation, unseen since World War II, generated 42 million tonnes of debris by early July 2024—14 times more than the total debris produced by all global conflicts over the past 16 years (United Nations Institute for Training and Research [UNITAR], 2024). Meanwhile, members of the Israeli government are openly advocating for the annexation of the West Bank and dismantling of the Palestinian National Authority (PA), in words and action (Karni et al., 2024). In this past year, Israel has confiscated vast tracts of land on a scale unseen since the PA establishment (Peace Now, 2024). The intensifying aggression is further compounded by Israel's continued disruptions to Palestinian banking and the seizure of public revenues, placing additional pressure on a struggling economy and an embattled Palestinian government (The World Bank, 2024).

Before the current crisis, the situation in Palestine was bleak, marked by escalating political tensions, stagnant economic performance, and intensifying Israeli restrictions (World Bank, 2023a). The Gaza Strip, subjected to blockade for 17 years and struggling to recover from four major aggressions, was under bombardment for five days in May 2023 (International Committee of the Red Cross [ICRC], 2023) and witnessed two weeks of border riots in September 2023 (Middle East Eye, 2023). Meanwhile, in mid-May 2023, the Israeli military had conducted one of its largest operations in the West Bank in nearly 20 years (OCHA, 2023a), and settler violence across the West Bank was growing in frequency and severity (OCHA, 2023b; Amnesty International UK, 2023). Israeli demolitions in the West Bank reached 1,175 structures in 2023, following five years of steady increase (OCHA, 2024a).

Furthermore, Israeli deductions from clearance revenues—a crucial source of PA funding that Israel collects on its behalf—were on the rise, pushing the PA into more profound fiscal crises. As this issue intensified in recent years, the PA has been grappling with a deepening financial strain and unable to fully pay public servants since 2019. This meant that the PA had to rely more on the local banking sector, which has long been dealing with its Israeli-induced challenges, such as the surplus of shekels, issues with correspondence banking and sanctions on banks. Israeli policies over the past year are part of an ongoing effort to entrench control over Palestinian lives and extinguish any prospects for self-determination.

Three decades after the establishment of the PA, the prospects for peace, self-rule and the end of Israeli settler colonialism remain as elusive as ever. The Oslo Accords, which created an illusion of Palestinian sovereignty and granted the PA limited policy space, have enforced Israel's control over the years (Sarto & Klein, 2023). Successive Israeli governments have constrained the PA to a narrow role, mostly limited to the provision of social services and security and administrative coordination. This has been enabled not only by Israel's military dominance but also by its control over Palestinians' lives and lack of international accountability. The PA is trapped by a legacy of unresolved dependency and structural distortions, which are forcing Palestinians into a deepening crisis at a decisive moment.

Amidst the ongoing humanitarian catastrophe in the Gaza Strip and the complex layers of issues facing Palestinians in general, Israeli disruption of banking relations has attracted significant attention from international media and politicians. This paper focuses on this critical issue, given the central role of money and finance in daily life, and its cruciality in ensuring the continued flow of essential goods and resources.

2. Financial Fragility under Occupation

The current war and systematic annexation policies have severely impacted livelihoods, slashing a third of Palestinian GDP per capita by Q2 2024 year-on-year (86% in the Gaza Strip and 24% in the West Bank) (Palestine Central Bureau of Statistics [PCBS], 2024a) and pushing over half of the labour force into unemployment (79.7% in Gaza and 34.9% in the West Bank) (International Labour Organization & PCBS, 2024). While every economic sector in Palestine has been severely affected, the banking sector—a unicorn of sustained growth amid chronic instability—has drawn significant attention. The war has drastically weakened its performance, with combined profits dropping 58.1% in the first half of 2024 compared to the same period in 2023 (Palestine Monetary Authority [PMA], 2024a). By Q2 2024, non-performing loans (NPV) had surged 17% from the previous year, reaching \$553.8 million, equivalent to 4.7% of total credit facilities or 6% of private credit facilities (PMA, 2024a). Despite the significant increase, the share of non-performing loans (NPVs) remains relatively low compared to international standards, as banks in Palestine adopt a highly conservative approach, relying heavily on wage garnishments and secure collateral.

Amid escalating violence and economic devastation, contrasting stories have unfolded in the Gaza Strip and the West Bank, aggravating a 17-year-old rift. The war has destroyed all banking facilities and infrastructure in the Gaza Strip. All of Gaza's 56 bank branches and 94 ATMs have been destroyed by ongoing bombardments. Thus, the sector has lost nearly

all its fixed assets in Gaza, including safes and their contents, forcing banks to account for these loss provisions on their financial statements. From Q3 2023 to Q2 2024, Palestinian banks have recorded \$408 million in loss provisions, around sixfold the loss provisions a year earlier (PMA, 2024a). The PMA does not disaggregate this data by region, but it is clear that the vast majority of this increase originated from the Gaza Strip. Referring to the worst-case scenario, PMA officials noted that all of the Gaza Strip's credit facilities portfolio, valued at approximately one billion dollars, may be counted as a loss (Skynews Arabia, 2024). This is on top of declines in asset value, bank robberies, logistical challenges, and ongoing operational expenses (Srivastava et al., 2024).

The destruction of banking infrastructure in the Gaza Strip has impacted more than just physical assets and banks' performance—it has severed residents' access to their funds and disrupted the payment system altogether. While Israel is blocking aid and commercial trucks from entering Gaza, causing a severe shortage of essential goods, inflation reached a staggering 282.6% year-on-year in September 2024. This issue has been made worse by Israel's refusal to allow any cash into Gaza since the start of the war. Local reports highlighted severe cash shortages and predatory financial practices, where some merchants and money exchangers exploited the situation by charging outrageous fees for withdrawals and currency exchanges. Merchants take worn currencies at a discount as intact currency is scarce. When a few ATMs were still operational in Gaza, newly formed gangs took advantage of the situation by charging fees for waiting in line, providing another example of financial extortion and the severe challenges facing individuals.

In response to the cash crisis in Gaza, the PMA introduced an instant payment and transfer system, iBURAQ, in mid-2024 to enable Gazans' to make payments and transactions electronically (Cash Working Group [CWG], 2024). The PMA has also coordinated with telecommunications providers to support payments and transfers through SMS and USSD systems, enabling basic financial transactions if internet service is disrupted. The PMA and partner institutions' interventions provided an alternative for financial transactions and initially facilitated the distribution of cash transfers; however, evaluating the effectiveness of such an initiative is difficult, given that most Gazans lack consistent access to electricity and telecommunications. It is also unclear whether Gazans are aware of this new system, how to use it or how many have benefited from it. Frequent interruptions in communication, widespread power outages, and limited fuel for essential infrastructure make it nearly impossible to sustain banking services or implement alternative digital payment solutions effectively. In summary, a functioning formal economy, let alone a working banking system, no longer exists in the Gaza Strip.

In the West Bank, Israel has intensified its restrictions following the war, exacerbating existing difficulties and creating new ones. Issues surrounding correspondent banking with Israeli banks have escalated in the West Bank, with the Israeli finance minister leveraging them for political gains. These challenges have deepened long-standing problems, including excess shekels in cash, heightened uncertainty, and elevated operational costs for banks. In turn, banks have passed these burdens onto their customers by restricting shekel deposits—sparking disputes and creating significant liquidity management challenges for businesses. The situation deteriorated further in August and September 2024 due to difficulties importing cash from Jordan, leading to the emergence of currency black markets and increased exchange rate volatility (Palestine

Economic Policy Research Institute [MAS], 2024a). This is not a new phenomenon either; delays in currency imports from Jordan—often tied to Israeli security measures—occasionally result in exchange rate disparities between banks and money exchangers. Such disruptions were particularly pronounced during the COVID-19 pandemic.

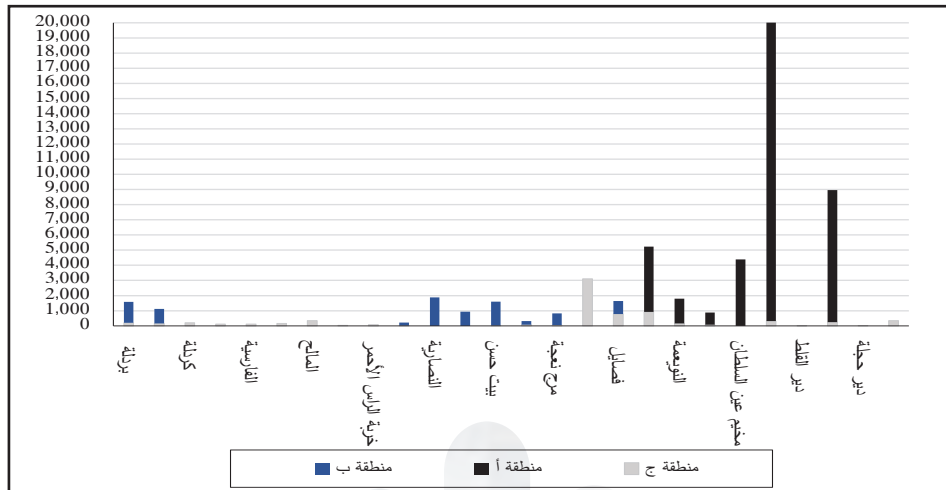
Other pressing challenges with profound effects include escalating movement and access restrictions, settler violence, Israeli raids, and the termination of Palestinian employment in Israel. These factors have devastated the West Bank economy, slashing a quarter of its GDP. The poverty rate has more than doubled, businesses are struggling to maintain operations, unemployment has surged, and household incomes have been depleted (The World Bank, 2024). These developments are placing immense strain on Palestinians in the West Bank, further undermining individuals' and businesses' survival, let alone their ability to service their loans.

The economic fallout in the West Bank is less severe than the devastation in the Gaza Strip. However, its impact on the banking sector is far more profound. With over 328 bank branches and offices, 624 ATMs, and accounting for 84.3% of customer deposits and 92% of credit facilities, the West Bank is the backbone of the Palestinian banking system. The sector has managed to withstand the destruction in Gaza due to its limited exposure there, but any major disruptions in the West Bank could be catastrophic for its stability.

In response to the crisis, banks adopted a very cautious approach, suspending new lending and scaling back costs and investments. Credit facilities to Palestinian businesses and households decreased by 0.7% between September 2023 and September 2024, with their share of total credit facilities shrinking from 82% to 77.3% (PMA, 2024a). However, as the PA ran out of financing options due to mounting Israeli deductions, and with no access to international capital markets, the banking sector increased its exposure to the PA's fiscal crisis, providing a \$388 million consolidated loan in December 2023. By September 2024, lending to the PA from banks had risen by 33.3%, or \$671.8 million, compared to the same period in 2023. As a result, the PA's share of total credit facilities grew from 17.8% in September 2023 to 22.5% in September 2024 (PMA, 2024b). Meanwhile, banks' deposits abroad increased by 24.4% over the same period, rising from 13.7% of total assets to 15.7%.

Banks financed the increase in credit facilities to the PA and foreign deposits through a surge in customer deposits from the Gaza Strip, which rose by 78.8%, or \$1.3 billion, between September 2023 and September 2024. Amid ongoing displacement and bombardment, Gazans turned to banks to safeguard their money (PMA, 2024a). Holding cash in tents or during evacuations is very risky. Additionally, salaries from the West Bank and abroad, along with international financial aid and social assistance, continued to flow into Gaza over the past year. However, they accumulated in bank accounts as citizens faced significant difficulties accessing their funds due to the destruction of banking infrastructure. In contrast, deposits from West Bank residents (households and businesses) remained stagnant over the same period.

**Figure 1: Customer Deposits and Credit Facilities
(million USD) in Palestine, 2023-2024**



Source: PMA

3. Issues of Critical Importance

From a relief and financial perspective, liquidity challenges and severe cash shortages in the Gaza Strip are the most critical issues facing the sector. With all banking infrastructure destroyed and an ongoing Israeli military siege, no new cash has entered Gaza for over a year, and the remaining currency is deteriorating. Early in the war, moving cash within Gaza posed immense logistical and security challenges, and with bank safes now buried under rubble, it has become nearly impossible. Videos and reports online show Gazans attempting to repair torn currency notes as they ran out of options (Middle East Monitor, 2024). In an economy almost entirely reliant on cash, these shortages make basic daily transactions extremely difficult, even if goods are allowed into Gaza. Hyperinflation, people crowded in small areas, and restricted aid entry exacerbate the crisis, creating fertile ground for exploitation through exorbitant fees and a rise in criminal activity.

The destruction of banking infrastructure and ongoing liquidity issues, along with the collapse of formal markets and shortages of essential goods, raise concerns about the viability and effectiveness of cash assistance programs. By June 2024, cash assistance programs in Gaza had provided at least one emergency multipurpose cash payment to over 178,000 households, benefiting more than 1.2 million people (CWG, 2024). Most of this assistance was distributed through the PalPay financial service network (a subsidiary of the Bank of Palestine), using a system of PIN codes sent to recipients' mobile phones, enabling cash withdrawals at PalPay cash-out agents (Shehade, 2024). However, the situation in Gaza has since deteriorated further, with no recent updates on the continued feasibility of electronic cash transfers. Even if essential goods become available, electronic transfers would still face significant challenges, including frequent power outages, unreliable telecommunications, and issues related to digital literacy and accessibility. Facilitating the entry of humanitarian aid trucks into Gaza is the most urgently needed intervention.

While the Gaza Strip is facing severe cash shortages, bank vaults in the West Bank are full of shekels as Israeli correspondent banks refuse cash transfers. Since the establishment of the PA and the re-emergence of the Palestinian banking sector, banks have depended on correspondent banking relationships with Israeli banks to manage cross-country transactions

and maintain liquidity. These relationships were formalised under the 1994 Paris Protocol, the agreement on economic relations within the Oslo II Accord, which defines the relationships between the PMA, the Bank of Israel (BoI), and the mechanisms for financial transactions between Israeli and Palestinian banks. The Protocol recognises the Israeli shekel as a legal currency in Palestinian territories, giving the PMA the right to convert shekels into foreign currency through the BoI, subject to specific limits.

These original limits, established in 1994 when the Palestinian economy, banking and population were much smaller at NIS 6 billion, are increasingly outdated. By 2019, the PMA and the BoI had agreed to raise the annual limit NIS 18 billion (MAS, 2024b). However, this increase has not accommodated the large volume of shekel transactions between the two economies. In 2023, over NIS 46 billion entered the Palestinian economy from various sources. As a result, the PMA must continually negotiate for exceptional NIS shipments with the BoI. The challenges related to excess shekel, meaning cash shekel holdings beyond regulatory requirements, have intensified since Israel introduced a law in 2018 to limit cash usage in Israel, with additional restrictions added in 2023 (MAS, 2024b). The West Bank became a dumping ground for shekel notes and coins.

As Israeli banks refuse to process transactions with Palestinian banks, these banks are left with large amounts of shekel cash accumulating in their vaults. The resulting stockpile of funds, which exceeds the banks' storage capacity and the PMA liquidity requirements, leads to increased costs for storage, insurance, and management. While Palestinian banks are holding excess shekels in cash within their vaults, they are unable to transfer them to Israel (or Gaza). Consequently, they are forced to borrow shekels to meet withdrawal demands from their accounts held at Israeli banks (Coulibaly, 2021). When Palestinian traders issue cheques for Israeli merchants, the corresponding amounts are debited from the Palestinian bank's account at an Israeli bank. However, due to restrictions preventing the shipment of shekels to replenish these accounts, Palestinian banks must borrow shekels to cover their balances, incurring additional costs in interest payments. Furthermore, the accumulation of shekels and delays in their transfer deprive the banks of potential interest earnings and increase their exposure to exchange rate fluctuations. Coulibaly (2021) notes that the costs associated with holding excess shekels reduce bank profits by roughly 20%.

The excess shekel impasse is a result of the structure and limitations inherent in Israeli-Palestinian correspondent banking relationships. Following Hamas takeover in 2007, Israel declared Gaza a hostile entity, and Israeli banks began rejecting shekel transactions from Gaza-based banks to avoid any potential risk (Coulibaly, 2022). This challenge grew after Israel tightened its Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) regulations and applied these standards to transactions with Palestinian banks in the West Bank (The World Bank, 2023a). To maintain essential financial relations, the Israeli government have granted indemnity immunity since 2016 to Israeli banks working with Palestinian banks. This arrangement allowed for continued correspondence banking relations while shielding Israeli banks from legal and financial risks associated with Israeli AML/CFT compliance. It supports the continuation of critical activities, such as the payment of salaries of workers in Israel, imports of essential goods, and the transfer of clearance revenues to the PA.

Following October 7, the far-right Israeli Minister of Finance, Bezalel Smotrich, has repeatedly threatened to cut correspondent banking relations between Israeli banks and banks in Palestine,

endangering financial stability and obstructing Palestinian banks' ability to process financial and commercial transactions. In October 2024, as in July 2024 and February 2024, Smotrich signed the indemnity letter at the last moment, but only for one month this time. This has had dire consequences on the Palestinian economy and has further exacerbated the banking sector's challenges: heightened uncertainty, compounded access issues to global financial markets, and increased issues of excess shekels. Palestinian banks faced restrictions in accessing SWAP contracts in international markets because of the uncertainty surrounding the issuance of indemnity letters. This has also fueled panic among merchants and traders as the letters approach their expiration with no announcements regarding their renewal. Threats to terminate indemnity letters expose Palestinian banks to reputational risks among international correspondent banks and could disrupt all financial transactions between Israeli and Palestinian banks.

Another pressing issue is the banking sector's exposure to the PA. Following the war on Gaza and mounting Israeli deductions from clearance revenues, the PA increased its reliance on the local banking sector. The PA's share of total credit facilities reached 22.5% (\$2.7 billion) in September 2024, exceeding the regulatory limits (PMA, 2024a). However, while this is concerning, the interdependence between the PA and the banking sector runs much deeper. Beyond direct borrowings by the PA, a significant portion of public servants' loans are backed by PA-paid salaries, further heightening banks' exposure. PA and public servants' loans account for around 40% of total credit facilities (The World Bank, 2022). The situation has been worsening since 2019, as the PA has been paying partial salaries, pushing employees towards increased borrowing from banks. Additionally, businesses that provide services to the PA on credit, in light of accumulating PA arrears, also indirectly depend on the PA's ability to meet its financial obligations. The PA's accumulated arrears to the private sector reached \$1.3 billion in September 2024, representing 27.3% of its 2024 budget. This growing reliance of the PA, its employees, and businesses with financial ties to the PA on the banking sector raises concerns about the sector's viability and the effectiveness of prudential oversight in ensuring stability in such a complex environment. The entanglement of dependencies suggests that if the PA collapses, the banking sector and many businesses could likely collapse alongside it.

4. Unheeded Problems

The PMA has demonstrated significant effort in managing the complexities of the ongoing crisis. In its first response, the PMA mandated that banks establish provisions and additional reserves to mitigate rising credit risks, inducing them to follow conservative accounting practices (MAS, 2024b). The PMA also imposed restrictions on profit distribution for 2023, barring local banks from paying cash dividends while permitting the distribution of stock dividends (MAS, 2024b). Foreign banks were required to seek PMA approval before transferring profits abroad. To bolster confidence in the financial system, the PMA has consistently issued public reassurance statements, asserting that the banking sector remains resilient and capable of withstanding disruptions, including the potential cessation of correspondence banking with Israeli banks (MAS, 2024a). Furthermore, the PMA has consistently assured the public that it is closely monitoring the banking system's health through stress tests and adequate hedge against risks. These tests have confirmed that banks maintain capital adequacy ratios and liquidity levels beyond local regulations and international best practices (PMA, 2024a). Emphasising its commitment to financial stability, the PMA has also issued directives to prevent exploitive practices and manipulation of foreign currency exchange rates.

While the PMA works to maintain stability, reassure the public, and prevent bank runs, critical issues remain unaddressed in Palestinian policy discussions. The PMA's reports focus primarily on technical financial stability metrics and conventional economic theories to assess the banking sector's resilience. However, internationally recognised financial regulations like the Basel Accords are not designed to handle large-scale systemic risks like those facing Palestine. Neither are the macroeconomic forecasting models used by official bodies in Palestine. In addition to the complete destruction of Gaza, which once represented one-third of Palestinian economic activity, Palestinians now face the no less existential threat of a potential collapse of the PA and the annexation of the West Bank.

Such risks go beyond macroprudential oversight and demand proactive, large-scale interventions to safeguard the interests of ordinary Palestinians. The burden of a crisis of this magnitude is not the responsibility of the PMA alone and should involve all relevant PA institutions along with international organisations operating in Palestine, and international financial institutions especially.

Before the Nakba, several banks operated in Palestine, some owned by Palestinian businessmen, such as the Arab Bank (which was later moved to Jordan) and the Arab National Bank Ltd (which was liquidated), while others were controlled by colonial powers, including Barclays Bank, Ottoman Bank, and Anglo-Palestine Bank (now Israeli Bank Leumi). After the Nakba, the newly established State of Israel, even before gaining international recognition, ordered all banks in mandatory Palestine to freeze the accounts of their Arab Palestinian customers (Mitter, 2014). This took place less than three years after a Palestine Newspaper article (Figure 2) on November 8, 1945, highlighted the spectacular growth of the Arab National Bank Limited, noting its profits in 1944 equalled its capital reserve (100,000 Palestinian pounds or 10%). Reviewing incomplete records and archives, Mitter (2014) estimates that between 10,000 and 50,000 bank accounts, totalling around six million British pounds, were frozen in 1948. Adjusting for inflation, this amount would be equivalent to at least £183 million in 2024 prices—using the Bank of England inflation calculator— or £1.3 billion when factoring in Israeli inflation rates. Shortly after, the Israeli Custodian of Absentee Property not only dispossessed Palestinians of their lands and homes but also seized their bank accounts (Mitter, 2014).

As Israel seeks to establish a permanent military presence, if not colonial settlement, in Gaza and Israel and its settlers continue the campaigns for West Bank land grabs, one must ask: what are the risks of history repeating itself? This raises a series of critical questions for which there are no easy or obvious answers. Are Palestinian public and semi-independent institutions equipped to survive the collapse of the PA? What mechanisms exist to protect depositors if the PA collapses? Do Palestinian regulators, policymakers, and planners account for such risks? What will become of people's financial lives and assets if a colonial power assumes control over the state? Will Palestinian banks be allowed to resume operations in Gaza Strip while PA institutions, like the PMA, are denied assuming their role in the newly re-occupied territory?

Perhaps more immediately pressing: what will happen to all the destroyed mortgaged properties in Gaza? Are people still obligated to repay these debts? Will ordinary Palestinians bear the burden of these costs? Recalling history again, land dispossession was happening before the Nakba. Using partial records of legal documents, Mitter (2020) shows how banks, concerned about their survival, filed lawsuits against troubled Palestinian farmers in the 1930s and 1940s and forced them to sell their land against their will. These pressing issues are central to every Palestinian, yet they remain absent from official discussions and extend beyond the interests of

international development institutions that operate on the premise of PA continuity. The reality that Palestine is witnessing a new *Nakba* calls for a response by public and private sectors that could yet repulse the mounting pressure if international partners are willing to step in.

Figure 2: A Snip from Palestine Newspaper on 8 November 1945



Source: ("Arab National Bank Limited", 1945)

5. Intervention Priorities

The Palestinian banking sector has received much attention over the past two decades, standing as a symbol of private sector resilience under occupation and used as one of the bases to justify private-sector-driven economic and social development. This made financial inclusion and access to finance central themes in policy discussions among the PA and international institutions. It has become rare to encounter any significant economic development project in Palestine that does not include a financial inclusion—or at least a finance/microfinance—component. Over the years, official development assistance has sharply declined, replaced by a surge in development finance initiatives, such as loans and guarantees from traditional donor countries (Abughattas, 2023). However, the outcomes of this shift remain questionable, particularly since it shifts the burden and responsibility onto the oppressed. Finance-infused projects promise a better economic future in an exceptionally complex and challenging situation, where people’s autonomy is severely restricted, and property rights are systematically violated by an occupying power.

While the effectiveness of financial inclusion and microfinance policies are debatable in a condition of prolonged occupation and conflict, mainly due to the lack of reliable empirical evidence supporting the claimed social and economic benefits, this is beyond the scope of this paper. Our primary concern is how Israel is controlling and shaping the financial landscape in Palestine. What was once viewed as an achievement—integrating more than half the adult population into the formal financial system—now raises concerns, particularly in the central West Bank, where bank deposits are concentrated.

As financial inclusion expands, so does the exposure of financially included people to the uncertainties and risks posed by arbitrary Israeli policies. For example, the declared intentions of

Israeli politicians to dismantle the PA would not only have massive direct consequences for the 140,000 public sector employees reliant on its salaries but also trigger ripple effects throughout the Palestinian socioeconomic fabric. The PA and the financial sector are deeply intertwined through interconnected networks of mutual dependencies, extending beyond direct lending exposure. Against the backdrop of mounting Israeli pressures and increasingly extreme measures, one must ask: What is to prevent Israel from taking steps that are even more drastic, within the financial sector and beyond? For ordinary Palestinians who owned bank accounts, bonds, stocks, pensions, salaries, and safety deposit boxes in 1917 and 1948, financial inclusion turned into 'financial tragedy' (Mitter, 2021). It is imperative to learn from the past.

As the financial sector grapples with growing challenges, the core issue remains its dependence on the Israeli financial system, a manifestation of a broader, chronic problem. This reliance, coupled with the Israeli government's military power and ability to impose its policies on Palestinians, has created a precarious environment for Palestinian financial institutions. These institutions are vulnerable to arbitrary external decisions and acts beyond their control. The only viable solution is to end the occupation and grant Palestinians sovereignty. However, as this hopeful vision fades further away, the most pragmatic interventions focus on addressing current challenges and future risks. These include strengthening the resilience of banking institutions—not just individual banks—to withstand systemic risks and supporting the rights, steadfastness and survival of Palestinian citizens. Below are some potential interventions that align with this vision from a finance/banking perspective.

Centering the focus on the Sovereignty of the Palestinian Financial System: A key step to reducing the banking sector's vulnerabilities lies in promoting economic disintegration policies to reduce dependency on the Israeli shekel. This involves prioritising local and international alternatives to Israeli products and addressing extensive dependencies on essential infrastructural services wherever possible. The recent Palestinian Cabinet decision to favour domestic products in government bids is a positive development. Additionally, the government could promote using other currencies, such as paying public servants' salaries in Jordanian dinars, US dollars, or euros, and mandating the sale of durable goods in these currencies. While full dollarisation is unfeasible due to technical and border-control issues, reducing reliance on the shekel and promoting the use of other currencies in circulation remains achievable. Nonetheless, the potential impact on individuals' and businesses exposure to NIS exchange rate risks should not be undermined. Furthermore, international partners which recognize the State of Palestine can demonstrate greater commitment to preserving the chances for its right to enjoy sovereignty and supporting financial resilience by considering guaranteeing Palestine sovereign borrowing status so that it can withstand the coming financial pressures.

Ensure Cash Availability and Financial Services Access in Gaza: Addressing the severe currency and service shortages in the Gaza Strip is urgent. The entry of cash into Gaza and the restoration of banking services should be prioritised once the situation permits. In the meantime, efforts must ensure universal access to user-friendly digital banking services that can function despite continuous power and telecommunication outages. More information is needed on the effectiveness of digital financial services and PMA initiatives in Gaza, as well as on the usage and impact of multipurpose cash transfers through digital channels. Despite the crucial role that multipurpose cash transfers, or even a Universal Basic Income program, could play in Gaza's

relief and recovery (MAS, 2024c)—and the importance of providing Gazans with agency and choice with dignity—the immediate challenges on the ground today demand the unrestricted and unimpeded entry of humanitarian aid, including food, medicine and shelter.

Managing Excess Shekel: In parallel, the PMA should persist in negotiations with the Bol and engage third parties to increase the shekel cash transfer quota and establish regular adjustments under clear guidelines. This would help mitigate the risks and expenses linked to excess cash accumulation. Additionally, the PMA should continue to advance digital payment adoption by enhancing technological infrastructure and providing incentives. Electronic transaction fees still pose challenges for merchants using PoS, especially for large or frequent payments. The PMA's move to remove fees on fuel purchases via card is promising and should be extended to other sectors with high impact and low-adoption of digital payments.

Formalising a Viable Permanent Correspondence Banking Relations Arrangement: In mid-2023, the PMA and Bol discussed establishing a durable model for correspondence banking relations, ending the need for Israeli commercial banks to provide such services to Palestinian banks (Office of the Quartet, 2023). It would also end the need for assurances from the Israeli government through temporary indemnity and immunity letters. These discussions were halted due to the war, albeit they were moving very slowly. Resuming these discussions is crucial to resolving the issues around correspondent banking. A government-owned, commercially operated Israeli correspondent banking company was set up for this transition (Office of the Quartet, 2023), but enabling legislation was never passed, and given the current Israeli government, its enactment seems unlikely. This should be a priority for international actors who have expressed concern about the issues surrounding correspondent banking, urging them to translate these concerns into tangible actions. While the US Secretary of the Treasury, G7 members, and other international actors have voiced concern about disruptions to correspondent banking relationships between Palestinian and Israeli banks, their latest demand in October for a year-long extension was rebuffed by Israel which only agreed to an extension to end-November. Concrete actions are necessary to ensure both the end of the war and put an end to Israeli impunity in creating an impossible financial crisis.

ML/TF National Risk Assessments: The regional Financial Action Task Force (MENAFATF) should expedite the external evaluation of Palestinian Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) measures. The mutual evaluation, delayed several times—first in 2020 due to the pandemic, again in 2022 because of security concerns, and again in early 2023—has become a requirement for extending indemnification for correspondent banking by Israel. While this step is crucial, further demands or additional obstacles may arise from Smotrich once the evaluation is concluded.

Expediting the Adoption of Digital Financial Services in the West Bank: Improving digital literacy in the West Bank and streamlining the user experience of banking apps and e-wallets could alleviate the issue of excess shekels and ensure continued access to financial resources when physical banking infrastructure is inaccessible. The PMA's recent launch of the Instant Payment System (IBURAQ) for interbank and digital wallet transactions is a key development. The PMA should build on this initiative to enhance digital financial connectivity with regional markets, particularly Jordan.

Supporting the Productive Economy and Local Markets: Building a sustainable and resilient Palestinian economy requires focusing on local production and sustainable development. This includes increasing support and financing for Palestinian industries and local supply chains, particularly those that create jobs and stimulate income generation. The banking sector should expand financing for small and medium-sized enterprises (SMEs) and prioritise local production initiatives at favourable terms, providing essential liquidity to aid long-term recovery. Banks should also join efforts with businesses providing advisory services to maximise the potential of SMEs' success. International donors are encouraged to provide guarantees and credit insurance to encourage local banks to lend to sectors and businesses perceived as high-risk but with high growth and impact potential. This would not only mitigate risks and facilitate bank lending but would also reduce lending costs and safeguard depositors' funds. Initiatives like the PMA's BADER and Estidama II are important, but transparent reporting on their progress and impact will help refine future efforts. The PA could build on these initiatives to set up specialised local investment funds, focusing on sectors such as agriculture, industry, housing, technology and sustainable energy. International development agencies should allocate funds, support and capacity building toward these objectives.

Strengthening the PMA and Banks' Capital Base: The recent investment by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) in the Bank of Palestine (BoP) capital base was a significant intervention and should be replicated across other banks. This investment boosts market confidence and provides the bank with necessary advisory and technical support. Furthermore, strengthening the PMA's capital base with backing from international development institutions could enhance its ability to provide contingent support to banks during crises, while additional liquidity buffers could ensure financial stability during potential shocks.

Focusing on Permanence and Sustainability Rather than Profitability: Facing a cascade of challenges, Palestinian banks and private sector institutions must shift focus from short-term profits to long-term sustainability, fostering market stability while supporting citizens' livelihoods and steadfastness. Capable businesses should also ramp up their social responsibility initiatives. Public and private efforts must prioritise joint initiatives that reinforce the collective resilience of the Palestinian people. This could be done through mission-driven policies to maximise social impact and guide banks and financial institutions towards responsible lending practices. Strengthening cooperation across society—businesses, government, and civil organisations—will ensure economic resilience in the face of ongoing political and financial pressures.

Promoting and Recognising Positive Social Impact: Developing an assessment, review, and accreditation framework to evaluate and recognise businesses and banks' commitment to positive social impact and transparency. The initiative is similar to B-Corp certification but would be specifically tailored to address the Palestinian context's unique challenges, opportunities, and priorities.

Enhancing Cooperation between Judicial Bodies and the PMA: The High Judicial Council and the PMA should collaborate to address decisions related to debt management and defaulting credit facilities, focusing on closing regulatory gaps and eliminating policies that allow banks to seize property due to loan defaults. A structured process for debt relief and loan forgiveness should be considered for household properties destroyed during the war on Gaza. Given the severity of the crisis in Gaza, interventions should focus on alleviating household burdens rather than protecting the interests of creditors. So far, the PMA has responded by repeatedly postponing loan payments for Gaza residents, with the most recent extension lasting until the end of 2024. Planning must focus on issues beyond loan postponement.

Diversifying Bank Offerings: The Palestinian banking sector is currently dominated by commercial banks, with limited alternatives that cater to diverse community needs. Efforts to establish a public bank and a post bank—introduced as a response to potential sanctions on Palestinian banks—have yet to make any meaningful impact. Licensing community and specialised banks in Palestine could offer tailored financial services at reduced costs, making banking more accessible and beneficial to local communities. These institutions could support key initiatives at the grassroots level, providing financial resources and technical advice. Interest-free credit unions are common in Palestine, particularly among professional associations, while informal lending from friends and relatives is more prevalent than borrowing from formal financial institutions. These activities hold significant potential but are often overlooked because they operate outside the formal financial system—although credit unions are regulated by the Ministry of Labour, and interest-free student loans are managed by the Ministry of Education. Expanding these models to include a broader spectrum of society could enhance community resilience and create more meaningful financial inclusion. The new banking law under review should establish legal frameworks to formalise and support the establishment of community banks and credit unions.



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Discussant Comments: Heiner Flassbeck

Further to this full-fledged description of the problems faced in Palestine around the banking system, I would like to structure things a bit more along a certain line, namely that we have two problems in the financial system in general and with money in general. One side of the banking problem is the statics, that were analyzed by the MAS paper and that is shaking Palestine at this moment. So even the normal, the standard banking is endangered by many, many political risks, by the threats from Israel and so on.

Hence, it is extremely important to guarantee the stability of the banking system as such, an issue that is absolutely political, and Palestine here needs definitely the help of the international community. And one positive point was, in my opinion, the strong G7 statement on the threat from the Israeli Finance Minister to cut the ties between the banking systems. That the G7 issued such a statement is an important fact. It means that there is a chance to get some international guarantees for the banking system in Palestine. But that is only the static aspect of the banking system. The other side is the dynamic part, which takes us into the future.

What are the targets for building a stable financial and monetary system in Palestine? The MAS paper mentioned that supporting productive investment is really important. Indeed, that is absolutely crucial. Supporting productive investment is the key to successful development. In agriculture, we have heard about the huge potential for productivity increase. But looking into the future, it is imperative to create monetary sovereignty for the Palestinian people. You definitely need a strong system to support the productive sector, to increase productivity, and, with the increasing productivity, to stabilize the economy.

But the implementation is not trivial. The preparations for such a major change have to begin now. Even in the midst of war, it is necessary to think about the preparations that are required to install a dynamic monetary system, a system that can provide for monetary conditions that are really helping the real economy and helping to increase productivity. The point is that we all agree that you need your own currency and create monetary conditions encouraging fixed investment. You need a monetary system that is in your hands and not something that is imposed on you from the outside.

What do we know about monetary conditions in the developing world? And what can we learn from this experience? Monetary conditions have two parts. One is the interest rate, and the other one is the exchange rate. What you need is obvious. China is the most outstanding example of a country with extremely positive monetary conditions. First, to be successful in development, a stable exchange rate is a prerequisite. A stable real exchange rate means stable competitiveness vis a vis the outside world. Better than stable is low and stable. Second, low and stable interest rates are even more important.

According to recent research that I have done with other colleagues, low and stable interest rates are the most important ingredient for successful development in the long term. How to achieve that in a regime of independent national monetary policies is the crucial question. And here comes the point for Palestine.

Palestine is in a very difficult situation from the outset regarding both dimensions of the monetary conditions. It is facing a Catch 22 situation. It needs to improve its productivity in order to increase growth rates steadily and sustainably. But to improve your productivity you need good monetary conditions, which means national monetary policy. But you cannot have your own monetary policy without being productive. And that is what we call a Catch 22. A famous example for a Catch 22 is that workers looking for jobs are asked to have work experience. If they don't have work experience, they have no chance to get a job, but without a job they can never gain work experience.

If Palestine wants to get rid of the Israeli domination of its monetary conditions, it must design a process leading eventually to its own national currency. But given the Catch 22, it needs external assistance to design this process.

Palestine needs a "Big Brother" that would help to introduce the currency and more importantly, not only to introduce the currency, but to stabilize the currency. The biggest single problem that developing countries on the monetary side have today in this world is to stabilize their exchange rates. If you are subject to international speculation and all the hot money flowing around the world, then, as a small country, there is no way to create good and stable monetary conditions. That is why so many countries have fixed the exchange rate vis one other unilaterally. Others have dollarized their economies. However, these "solutions" are unsound from the outset.

The only reasonable solution is the assistance of a Big Brother who would help to stabilize the exchange rate, but not the nominal exchange rate, but the real exchange rate. This means if a country like Palestine would have an inflation rate of 10% and the big Brother, say, let's say it's Europe, Europe would have 2%, you need an orderly depreciation of 8% every year so that the real exchange rate is stable and it is not subject to international speculation. In my opinion it is extremely urgent to think about negotiations pointing into such a direction right now. We do not know how long it will take before negotiations start on a new agreement concerning the status of Palestine and Israel. But Palestine has to insist from the beginning that the instable banking and money situation cannot persist. It has been laid down in the Paris Agreement a time ago, but it cannot go on forever. It has to come to an end.

And if this is replaced, it must be replaced by a way towards a national currency in Palestine. A transformative period of say five to 10 years for the support of a big international player would do the job. Guaranteeing the real exchange rate for Palestine would cost Europe nothing. The guarantee itself would prevent any kind of speculation. It's not a question of money, but just of understanding the logic of the dynamics that have to unfold in Palestine and the monetary conditions for that to be achieved. If Europe promised a stable real exchange rate, the markets would immediately believe it and nobody would test this promise so that intervention would not even be necessary.

Fourth Paper

International Scientific Symposium

Priorities for Palestine's Economy in the Midst of War

Innovation and Industrial Policy

Harnessing the knowledge economy for relief, rehabilitation and recovery after the war on Gaza

Mr. Zayne Abu Daqqa

This is the Fourth Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

1. INTRODUCTION

The industrial sector has played a vital role in the Palestinian economy for over a century. In 2022, the industrial sector contributed approximately 11% of the GDP and employed around 13% of the workforce (PCBS, 2023; PMA, 2024a). While the sector's economic contribution stayed much lower than its levels in 1994, when it stood for 22% of GDP and nearly 20% of employment, it can still be considered a cornerstone of Palestine's economy (PCBS, 1996; PCBS, 2014a). The sector includes diverse sub-sectors, including food industries, furniture industries, rubber and plastics industries, chemicals and chemical products industries, basic, as well as fabricated metal industries, textiles, and pharmaceuticals (PCBS, 2018).

The war on Gaza has severely damaged Palestinian industry. The sector's productivity has been significantly hampered, showing a slowdown of 70 percent. In the Gaza Strip, over 80 percent of the industrial establishments were severely damaged or completely destroyed. The West Bank economy has not been immune either, with most sectors incurring severe setbacks (PCBS, 2024a).

Recognizing that only political change will unlock structural challenges, continuing to invest in industry, enhancing its innovative capabilities, and positioning it in local, regional, and international markets, can pave the way for a more resilient future. However, in the absence of sovereign control of territory and resources (or any access to the Gaza Strip), a severe financial crisis, and little to no significant achievements in industrial or innovation policy prior to the current crisis, it is not possible to expect the Palestinian National Authority (PNA) to develop and implement industrial policy (let alone an innovation policy) on its own.

For this reason, this paper will not delve into existing industrial and innovation policies, which are largely absent in Palestine, but instead suggest industrial and innovation objectives aimed at aligning industry and innovation with recovery needs. For the immediate future rebuilding a functional industrial sector in Gaza in conjunction with upgrading that of the West Bank will remain the primary objective. The alignment of these objectives is the starting point for a dialogue between all active stakeholders, including the PNA, the private sector, and international donors, on resource allocation towards the implementation of industrial and innovation policy.

The macro-economic data in this paper was sourced from the Palestinian Central Bureau of Statistics (PCBS), the Palestine Monetary Authority (PMA), and various international organizations such as the World Bank, International Labor Organization (ILO), and others. The assessment of damage to the industrial sector across the West Bank and Gaza, in addition to the analysis of short and medium-term challenges and needs, relies on two recent industrial surveys conducted recently by the Palestine Federation of Industries (PFI). In the West Bank, the survey was conducted in July and August 2024 and captured data from 345 industrial establishments (PFI, 2024a). The survey conducted in the Gaza Strip in June was updated in October 2024 and included data from 1,200 industrial establishments. While these surveys focus on establishments that are members of unions affiliated with the PFI, these members represent a large segment of the sector.¹ Therefore, in the absence of national-level data these surveys provide valuable insights into the state of industrial establishments during the war (see Annex I for an overview of the survey).

¹ It is estimated that PFI members in the West Bank employ around half of all industrial sector employees. In the Gaza Strip, the sample size (1,200) constitutes over 30% of all establishments in Gaza.

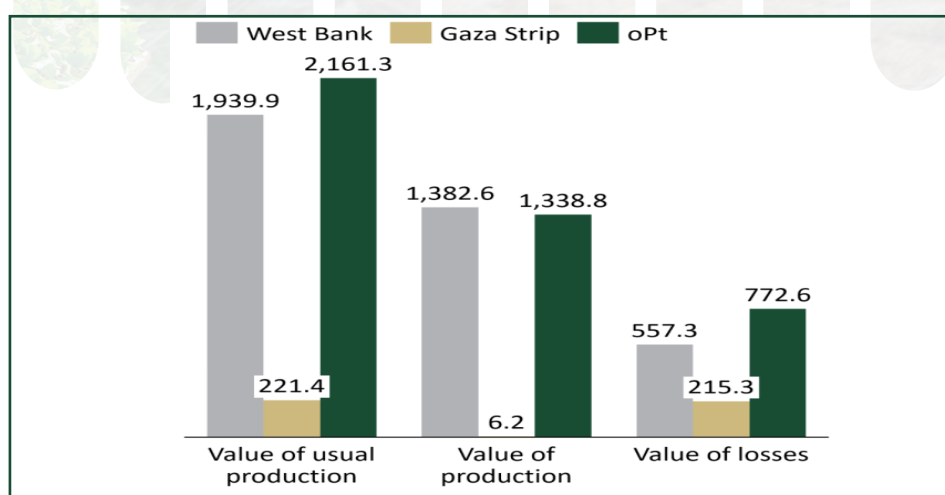
The paper starts with a review of the latest economic data available, with a focus on the impact of the war on the industrial sector. In the following section, short and medium-term challenges to the recovery of the industrial sector are explored, and contextualized with reference to long-standing restrictions imposed on the Palestinian economy before the war. The final section highlights development paths that rely on innovation and that have the potential to support relief and recovery, even under current constraints.

2. PALESTINIAN INDUSTRY: ONE YEAR SINCE THE START OF THE OCTOBER 2023 WAR

2.1 Estimating Industrial Losses

With more than a year of ongoing war, the Palestinian economy is facing one of its worst crises ever, with the Gaza Strip bearing the brunt of the devastation. In the first four months of the war (October 2023 – January 2024), the industrial sector in the West Bank and Gaza experienced significant losses, estimated at USD 772.6 million (see Figure 1 below) (PCBS, 2024b). The Gaza Strip faced significant losses, with a 97% reduction in industrial production, amounting to USD 215.3 million in losses. In the West Bank, industrial production declined by 28.7%, resulting in losses of approximately USD 557.3 million (PCBS, 2024b).

Figure 1: Value of Palestinian Industrial Losses October 2023 to January 2024 (USD million)



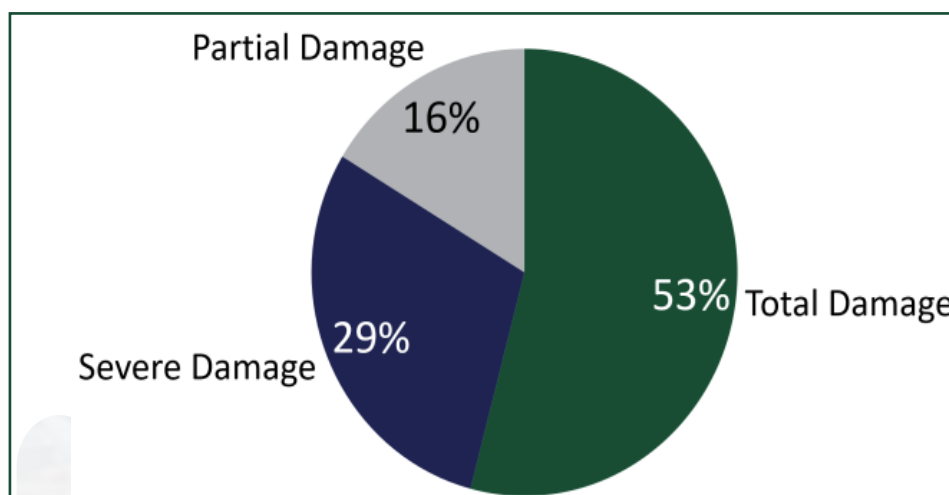
In August 2024, the industrial production index in the West Bank showed a sharp decline of 28.9% compared to August 2023, falling from 114.68 to 81.54. This indicates a substantial reduction in industrial activities, including transformational industries, non-metallic mineral products, food products, chemicals, and pharmaceuticals. One year into the war, the PCBS estimated that industrial activities dropped even further by 35% (28% in the West Bank and 94% in the Gaza Strip) (PCBS, 2024c).

2.2 Destruction of Industrial Assets and Infrastructure in the Gaza Strip

According to PFI, the industrial sector suffered extensive damage in the Gaza Strip (see Figure 2 below). The chemical, traditional, and food industries suffered the highest levels of destruction,

with total damage exceeding 80% in each industrial sector. Construction, clothing, and textile, and wood industries also suffered severe losses, with total damage rates surpassing 60%. Severe damage is notably prominent in traditional industries, aluminum and glass, and precious metals, further underscoring the devastation in key industrial sectors (PFI, 2024b).

Figure 2: Gaza Strip Industrial Establishments Sustained Damage



Before the war, the Gaza Power Plant generated about 70 megawatts using diesel, funded by Qatar, while about 120 megawatts were imported from Israel. As a result, the electricity supply in the Gaza Strip experienced a deficit of approximately 240 megawatts, leading to an average availability of just 12 hours of electricity per day. As of 2022, solar power capacity was only 159.5 megawatts in the West Bank and 19 megawatts in the Gaza Strip (Quartet, 2023). Since the war started, there has been no central power in Gaza, as its sole power plant was forced to shut down for lack of fuel, and more than half of the territory's electrical grid has been destroyed (World Bank, 2024).

2.3 Cash-flow Disruptions in the West Bank

According to PFI, a staggering 77% of its members in the West Bank have been struggling to collect payments from their clients. The primary issue is not technical or logistical, but rather the financial difficulties experienced by the clients themselves. In fact, 59.4% of firms reported that their clients' own financial problems are the main hindrance to their ability to collect payments. In addition, around 44% of companies surveyed reported selling their products in Gaza prior to the war. Of these, 58.9% noted that their sales were severely affected/completely stopped during the war.

With cash flows disrupted, indebted firms, which make up 50% of all PFI's West Bank members, are struggling to repay their bank loans. Around 91% of indebted firms are encountering difficulties. The primary reasons cited are a decline in sales (37%) and the difficulties in collecting payments from clients (31%), unexpected costs (17.6%), and a general fear of a worsening situation leading to avoidance of repayments (4.9%) (PFI, 2024a).

2.4 Disruption of Trade

Trade has been severely impacted by the war, with an estimated 30% loss in the value of goods exports, and services and a 29% decline in the value of imports in the first year of the war (see

Figure 3 below) (PCBS, 2019–2024). The volume of foreign trade in the Gaza Strip before 2006 was about 23% of Palestine’s total trade (PCBS, 2024d) and 12% in 2022 (PCBS, 2024e). However, the percentage dropped to less than 4% during the ongoing war, as the near total cessation of supply chains to and from the Gaza Strip led to health and food catastrophes throughout all of the Strip (PCBS, 2024d).

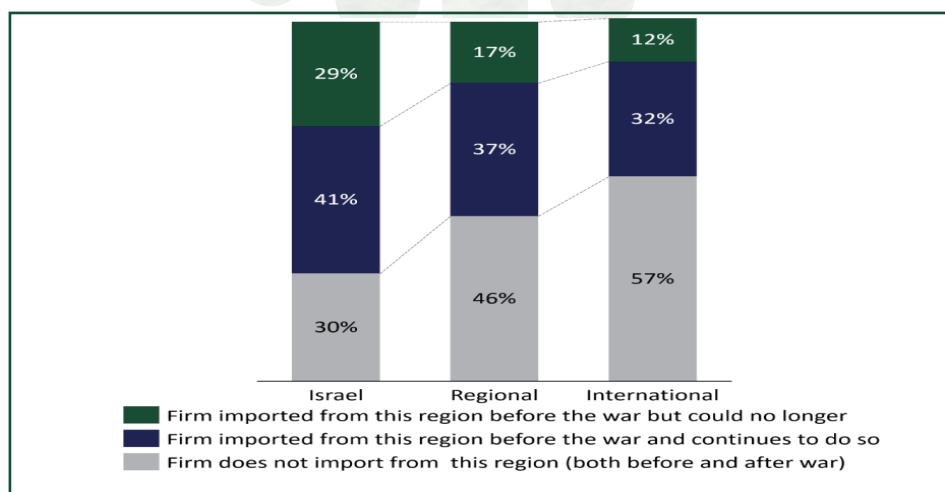
Trade restrictions are extremely harmful given the level of dependency on the Israeli market. Israel is by far Palestine’s largest trading partner, both for imports and exports. In 2022, Palestinian exports of goods and services accounted for only 18.5% of GDP while imports represented 64% of GDP, leading to a trade deficit of 45.5% of GDP - one of the highest in the world and nearly double that of similar economies (PMA, 2024b; The Global Economy, 2024).

The analysis of trade data reveals persistent dependency on Israel, which maintained a 58% share of merchandise imports through Q3 and Q4 2023 (PCBS, 2024d). The fourth quarter of 2023, witnessed a substantial 28% decline in overall merchandise imports, with imports from Israel dropping by 27%. In annual terms, total merchandise imports decreased from USD 9.1 billion in 2022 to USD 7.7 billion in 2023, representing a 15.4% decline.

2.4.1 Shortages of Raw Material Imports

Industrial firms that rely on input imports from Israel were the most affected by the war (see Figure 6 below). According to PFI, 70% of its West Bank members imported inputs from Israel, and 41% of those are currently unable to do so (much higher than those importing from other sources) (PFI, 2024a).

Figure 5: Import Sources and Import Feasibility for PFI members in the West Bank, August 2024



Source: PFI, 2024a

2.4.2 Sharp Fall in Access to Export Markets

In the Gaza Strip, all export activities are reported to have stopped. In the West Bank, the export sector in Palestine faced significant challenges during the war, with heightened vulnerability stemming from dependencies on trade with Israel. According to PFI, 78% of its West Bank members that export their products target the Israeli market, while 70% rely on Israel for raw materials.

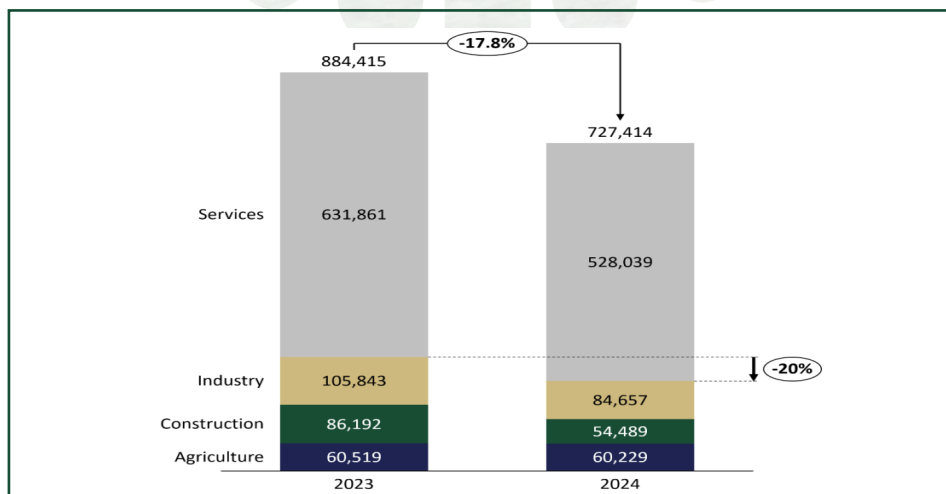
This reliance made exporters particularly susceptible to disruptions during the conflict. Key issues reported included increased shipping and insurance costs (26.9% of respondents), restrictions on movement (26.4%), lack of Israeli willingness to engage (23.3%), and order cancellations (23.5%).

Dependency on trade with Israel makes the Palestinian economy especially vulnerable to shocks. According to PFI, export-dependent sectors in the West Bank were among the hardest hit during the war. Stone and marble exports suffered a production loss of approximately 55%, reflecting their substantial reliance on international markets. By contrast, less export-reliant sectors, including pharmaceuticals and food/agriculture, reported relatively lower production losses. The data also highlights that firms deriving 50% or more of their revenues from exports were disproportionately affected by the conflict. These companies consistently experienced greater production losses, underscoring the risks associated with over-dependence on external markets for revenue generation.

2.5 Labor Losses in the Industrial Sector

In the Gaza Strip industrial workers, estimated to be around 25,000 pre-October 7, have been reduced to a mere 2,000, dropping approximately 90% of the total workforce as a result of the ongoing war's destruction of lives, supply chains, and infrastructure (Al-Raee, 2024). According to PFI, approximately 74% of its member industrial firms in the West Bank already reduced wages and working hours, and around 37% of its laid-off workers, with approximately 3,900 to 5,500 workers (14.6% of their total labor) losing their jobs during the war (PFI, 2024a). According to PFI, approximately 20% of its member industrial firms reported plans for further reductions in working hours and wages for their staff (PFI, 2024a).

Figure 3: Employment Levels in oPt by Sector, 2023 vs 2024*



* Assuming the cessation of war by June 2024.

Source: ILO & PCBS, 2024

The joint survey conducted by the International Labour Organization's (ILO) and PCBS between December 2023 and January 2024 revealed a dramatic contraction in Palestinian workforce dynamics. The findings show that all firms experienced a reduction in size from 16.2 employees on average before the conflict to 11.2 employees on average during the conflict (ILO, 2024a). In manufacturing, employment fell from 23.9 to 16.3, a 31.8% decrease, reflecting the challenges

in maintaining production amid disrupted operations and supply chains. The ILO and the PCBS project that, by the end of 2024, over 100,000 workers will lose their jobs in the West Bank and Gaza, over 21,000 of them are in the industrial sector, as seen in Figure 4 below. This figure is a projection assuming the case of the cessation of war by June 2024. As of today, war is still ongoing and the number of layoffs most probably has increased.

3. IMPLICATIONS FOR INDUSTRIAL DEVELOPMENT

3.1 Constrained Financial Resources Limit Relief, Recovery and Innovation

The PNA's fiscal situation has worsened significantly since the war on Gaza began, with Israel escalating its deductions from clearance revenues. In the first half of 2024, Israel withheld ILS 1.8 billion in clearance revenues, a 312.9% increase compared to the same period in 2023. Total Israeli deductions and withheld amounts accounted for 67.8% of the PA's clearance revenues in the first half of 2024, totalling ILS 3 billion (MAS, 2024). As a result, the PNA is in a deep fiscal crisis, the ongoing war on Gaza and the heightened uncertainty surrounding public finances drove the adoption of an emergency budget. On 22 July 2024, the Palestinian President approved an emergency budget for the 2024 fiscal year with a deficit of ILS 5.5 billion, an 181.5% increase compared to 2023(MAS, 2024).

According to the United Nations Development Program (UNDP) reports published in 2024, an early recovery program for three years to bring back hundreds of thousands of Palestinians to temporary shelters in their original locations with comprehensive community support, will cost between USD2-3 billion. The overall reconstruction of Gaza was estimated in mid-2024 at no less than USD40-50 billion over many years (Besheer, 2024). Without sufficient funds, the PNA will have to rely on international donors, in addition to local and international financial institutions, to finance relief and recovery. This might be further complicated in the next few years, due to new aid conditionality prospects emerging with the Trump presidency in the United States.

Research and Development (R&D), which the PNA was not able to dedicate substantial sums to even before the war, will likely receive even less funding in current circumstances. The only official data available on R&D in Palestine, demonstrated that expenditure on R&D reached USD 61.4 million in 2013 (less than 0.01% of GDP in that year), of which only 3.7% was contributed by the private sector (PCBS, 2014b). Only 11% of researchers worked in engineering and technology fields, which are more relevant for industrial innovation. While no official data on research and development has been published since, it is plausible to assume that the situation remains the same. Without sufficient funds, the PNA is likely to further de-prioritize innovation.

3.2 Trade Dependency on Israel Will Further Choke Industry

Even before the war, various non-tariff barriers significantly undermined competitiveness and limited the volume and efficiency of trade. Israeli import controls, which Palestinian importers must navigate, impose restrictions on inputs that Palestinian manufacturers can use. In addition, the dual-use goods restrictions have been one of the most significant barriers to trade, especially in the Gaza Strip. The dual-use goods restrictions severely limit the import of certain goods that Israel claims (with little evidence) could be used for purposes that constitute a threat to Israeli security. The clearance process for dual-use items can take several months, significantly slowing down trade.

Since the onset of the war, industries have faced increased handling fees, prolonged delays, and trade disruptions with key partners (PFI, 2024a). All these barriers are only expected to become even stricter, especially given the dependency on the Israeli market for both imports and exports.

3.3 Additional Restrictions in Area C of the West Bank

One of the main challenges for the industrial sector is the limited availability of land, which is likely to become an even more significant barrier to industrial development. More than 60% of the West Bank falls under Area C designation, where Israel retains control over security and territorial matters such as planning, zoning, building permits, and land registration, in addition to access to natural resources.

Access to Area C is the main impediment for the development of industrial zones. For example, in Hebron, the restrictions on building in Area C are causing congestion in industrial zones, as the expansion of existing zones and the emergence of new ones are hindered by Israeli measures (Palestine Economy Portal, 2015). With government planning advancing to extend Israeli sovereignty in areas currently controlled by Israel in the West Bank, it is becoming increasingly unlikely that Palestinians will be able to expand existing zones or build new zones there. Such plans make it increasingly unlikely that Palestinians will be able to exploit their resources or increase the utilization of their land for agriculture and industry. Lack of access to high-value natural resources such as minerals and natural gas, deprives the economy of national income that has the potential to completely transform the industrial base (Niksic, Eddin, & Cali, 2014).

In the West Bank, Palestinian industrial establishments face significant challenges in securing affordable energy. Electricity costs USD0.18 per kWh compared to USD0.14 per kWh in Israel, USD0.16 in Jordan, USD0.06 in Egypt, and USD0.04 in Egypt (Cable Co UK, 2021). To improve energy availability and reduce costs, the PNA needs to invest in the electricity grid and infrastructure. With an even stricter Israeli control over Area C, the possibility of upgrading energy infrastructure to accommodate increasing demand starts to diminish. This is particularly concerning given the level of dependency on energy imports from Israel. Palestinians are highly dependent on Israeli energy infrastructure. The West Bank is almost entirely dependent on electricity imports from Israel (over 90% of available electricity); the rest is imported from Jordan (80 megawatts up from 40 megawatts recently in 2022) or domestically produced (renewable energy and private generators).

4. CHALLENGES AND PRIORITIES FOR REHABILITATION AND RECOVERY

4.1 Minimum Requirements for Kick-starting Recovery

It remains unclear when the war on Gaza will end, and even less clear what the outcome of the war will be in terms of governance of the Gaza Strip and the reconstruction process. For this reason, planning relief and recovery for the industrial sector in the Gaza Strip is extremely challenging. Ultimately, without at least the following minimum improvements, it will not be possible to kick-start the industrial sector again:

- **Entry and exit of goods:** even at a smaller scale, without a mechanism for construction materials, machinery, and other industrial inputs to enter Gaza, the industrial sector will struggle to recover, even partially.

- **Independent infrastructure reconstruction:** the reconstruction of postwar Gaza must include more independent infrastructure that would reduce Israeli control over Gaza's productive capacity. For example, independent energy generation capabilities in the form of solar PV expansion, the development of the Gaza Marine gas field, in addition to more grid connections to other electricity suppliers besides Israel (primarily Egypt) can ensure the development of more sustainable productive sectors.
- **Availability of funds:** infrastructure capital investment needs to be supplemented by private investment in re-building factories and the purchase of investments in machinery and equipment. Industrial establishments will also need working capital in order to allow for the repurchasing of inventory supplies where needed and to cover their immediate and short-term operational costs. Frontloading a large portion of wage compensation for workers and employees who were kept out of jobs might also be needed.

4.2 Short-term Stabilization

As soon as the war ends, the PNA should consider prioritizing support for labor retention and re-establishing operations for remaining establishments. According to PFI, around 15% of industrial establishments in Gaza are still operational (PFI, 2024b). Immediate relief efforts should focus on already operational firms, to maintain their operations, and partially damaged firms that can potentially be back in operation with minimal support. Investment in light industries related to food production should also be prioritized to get food systems back in operation as soon as possible. In the West Bank, where industries are still laying off labor and reducing hours and wages, a targeted, limited cash injection program for vulnerable firms, particularly those employing large numbers of workers, can help stabilize the sector. Providing working capital to cash-strapped companies can enable them to restart operations.

4.3 Directing Innovation Towards Recovery Needs

4.3.1 Alternative Industrial and Agricultural Inputs

4.3.1.1 *The challenge*

Import substitution and market diversification are critical to fostering economic independence and resilience in Palestine, particularly given the dependency of the PNA budget on clearance revenues, which in turn accumulate due to high budget reliance on import taxes. While the Palestinian economy has achieved significant advances in reducing its reliance on Israeli imports, they continue to constitute over half (50-55%) of total imports.

Attempts to substitute important imports have faced numerous challenges, especially the inability to substitute inputs. For example, when the government attempted to localize bovine breeding (USD 96 million in imports during 2019), a few years ago, it was met with fierce retaliation from Israeli authorities and ultimately failed. The Palestinian market was not able to withstand the pressure as most of the input cost of maintaining livestock production is animal feed (over 70% of total spending). In fact, Palestinians import much more in feed than they do in bovines, with over USD 205 million of animal feed in 2019, most of which from Israel (PCBS, 2019). Similarly, despite sectors such as iron and plastics contributing significantly to industrial production, and 21% of total exports in 2022 (iron: USD 181M, plastics: USD 137M), imports in these industries

are disproportionately higher (iron: USD 346M, plastics: USD 324M) (International Trade Center, 2024a; 2024b). This imbalance highlights a clear opportunity to develop local manufacturing capabilities. Since that episode, a public-private investment partnership succeeded in building and operating the first Palestinian animal feed plant in the southern West Bank.

4.3.1.2 Policy Priorities

Several commodities present significant potential for import substitution, but the focus should be on goods that serve as key inputs, such as electricity, animal feed, fertilizers, construction materials, plastics, and metals, which form the backbone of agricultural and industrial productivity. While this sub-sector remains underdeveloped, targeted incentives, collaboration with academic institutions, and innovation-driven initiatives could unlock its potential, driving sustainable growth and bolstering industrial resilience in the face of ongoing challenges.

A clear and coordinated strategy to prioritize local production can reduce reliance on the Israeli market while bolstering the competitiveness of Palestinian industries. This approach requires integrating government policies with private sector initiatives, alongside measures to encourage public support for local products. Public sentiment to boycott Israeli produce has ballooned since the 2023 war, and a number of Palestinian light industries (including food and other consumer goods) have replaced Israeli or other imports in many local markets.

In addition, it is estimated that only 1 percent of all solid waste is currently being recycled (Atallah, 2020). The recycling and reuse sector in Palestine is relatively small and largely informal. It involves recycling materials such as glass, plastic, and paper/cardboard, which are processed into raw materials for local industries, and to a greater extent, for industries in Israel and other countries. Metal reuse also occurs but is largely untracked in municipal waste streams, as it is collected informally by traveling trucks purchasing scrap metal from households and institutions. Surprisingly the export of scrap metal registers as one of the top five Palestinian export categories, after stones/marble and re-exports! Notable examples of waste separation and recycling include Al-Menya landfill, where materials like plastic, metal, cardboard, and glass are sent for recycling, and organic waste is processed into low-quality compost used on-site.

However, efforts like these need to be significantly scaled up to increase the proportion of recycled waste, especially since most current initiatives remain in the pilot phase and have not yet achieved the desired impact at the national level. To scale successful efforts nationally, it is essential to develop a framework for public-private partnerships, whereby the government invests more in enhancing existing waste management infrastructure and separation, and private players invest in waste collection and recycling.

To support this shift, industrial and commercial policies should focus on developing specifications and standards to maintain product quality and consumer safety. Reforming industrial licensing policies and investing in developing services such as product licensing, packing, labeling, and light assembly within industrial zones to provide time- and cost-saving options for businesses, will be crucial. A stronger role for financing institutions, coupled with incentives for private enterprises, can drive the growth of these sectors and create a sustainable foundation for import substitution. To advance import substitution efforts, it is further essential to strengthen oversight and support

mechanisms for importers of key goods. The regulatory authority for taxation and customs police should be instructed to audit and monitor the activities of importers specifically dealing with select goods from Israel. This will ensure compliance and encourage a shift toward alternative sources or local products.

4.3.1.3 Innovation Priorities

In the Gaza Strip, streamlining the recycling of rubble and other materials can allow certain local industries such as construction materials manufacturing, and light metal fabrication, paper and furniture manufacturing, to start operating with less reliance on imported inputs.

Investments in advanced plastics production and the recycling of iron scraps for higher-value products, such as screws, razors, and machinery parts, could reduce dependence on imports while diversifying industrial output (International Trade Center, 2024a; 2024b). For example, strategic investment in expanding local machine production—using scrap metals to manufacture machinery components—could establish a foundation for broader industrial capabilities. Similarly, investments in recycling waste from agricultural production and food processing, combined with research and development into the development of alternative inputs for animal feed, can gradually replace concentrated feed pellets or concentrated bulks.

4.3.2 Market Information Systems

4.3.2.1 The Challenge

Palestinian industrial firms, the absolute majority of which are micro, small and medium businesses, are constrained by limited research capacities (Fallah, 2019). The fragmented nature of Palestinian companies and their limited resources hinder their ability to conduct market research and engage in effective marketing efforts to find buyers and promote their goods.

Many industrial firms lack the scale and resources to fully identify the specific needs and preferences of consumers, even in the local market. This hampers their ability to develop effective product strategies, make informed pricing decisions, and compete effectively. Smaller local companies lack the capabilities to identify which products have market demand and often lack information on certifications and labeling requirements, such as organic certifications (ILO, 2014b). Limited knowledge and expertise in marketing, branding, and sales pose challenges for companies looking to expand. Companies may struggle to effectively promote and position their products, hindering their ability to reach target customers and maximize export opportunities.

When it comes to exports, many local companies often struggle with identifying and meeting the complex requirements of foreign markets. This includes aspects such as food safety testing, packaging standards, and obtaining certifications like “organic” labels (ILO, 2014b). The lack of knowledge and resources in this regard creates barriers to entry and limits export potential.

4.3.2.2 Policy Direction

Improving access to market information, by establishing easy-to-access support platforms, and providing assistance in marketing products abroad for Palestinian businesses is a less capital-

intensive approach to improving industrial efficiency. By empowering Palestinian businesses with these resources and support, the aim is to enhance their competitiveness and expand their reach in global markets.

Industries that target consumer markets, such as food processing, textile, footwear, and traditional industries can greatly benefit from the initiative to improve access to up-to-date information on market trends and demands. Improved information flows can help these industries increase sales, by aligning their offerings with consumer preferences and actively promoting Palestinian produce locally and internationally.

4.3.2.3 Innovation Priorities

The following are the key innovation focus areas that have the potential to enable more efficient industrial growth and cost-cutting, even with limited funds:

- 1. Product development:** platforms that offer companies access to comprehensive and accessible insights for informed product strategy decisions, enabling companies to align their offerings with changing market demands. Additionally, such platforms can serve as a centralized source of up-to-date market requirements, helping companies navigate regulations, standards, and certifications specific to each target market.
- 2. Trade support:** platforms that offer companies access to up-to-date data about import and export requirements, in addition to a notification system to inform traders of changes in regulations in Israel and internationally. Similar platforms exist in Israel, but are in Hebrew and are inaccessible to Palestinian traders.
- 3. Marketing and branding:** platforms where companies can seek expert advice and support in branding, marketing, and related areas. This platform would offer tailored guidance, helping companies develop effective marketing strategies, enhance their branding efforts, and position their products effectively in international markets. By equipping companies with the necessary skills and knowledge, they can increase their visibility, attract target customers, and ultimately boost export opportunities.

4.3.3 Energy Efficiency

4.3.3.1 The Challenge

In Palestine, the high solar energy potential with approximately 3,000 sunshine hours annually offers a path to greater energy independence and economic resilience (Hamada & Ghodieh, 2021). It is further estimated that investing in solar energy provides a substantial boost to job creation, at 7.5 full-time jobs for every USD 1 million invested in solar energy, compared to traditional fossil fuel industries at 2.65 (Garrett-Peltier, 2017).

Despite great potential, a major limitation to the expansion of solar energy projects is the capacity of the electricity grid. Palestine faces significant challenges in distributing electricity efficiently due to high loads on local transmission grids and limited control over the 161kV transmission lines required for long-distance electricity transport. This inability to evacuate electricity to large demand hubs across the West Bank hampers the reliable distribution of power, particularly in areas with high electricity needs. Additionally, surplus energy generated by utility solar PV projects

often exacerbates grid loading issues, increasing the risk of equipment failure, inefficiencies, and higher costs for both utilities and consumers. With rapid settlement expansion and tightening of restrictions on Area C, upgrading Palestinian electricity grid, and energy infrastructure more generally, may become significantly more restricted.

4.3.3.2 Policy Direction

The PNA and other energy sector stakeholders and donors should also consider expanding renewable energy projects by focusing on measures that enhance efficiency at a decentralized factory level. While decentralized approaches are typically more costly, and are not an alternative to infrastructural development, they can improve resilience and (if restrictions remain) even efficiency.

Successful implementation requires close coordination among private renewable energy companies, electricity distribution companies, the Palestinian Energy and Natural Resources Authority, and municipal electricity providers.

4.3.3.3 Innovation Priorities

The following are some innovation focus areas that have the potential to enable more efficient energy infrastructure, even with existing restrictions on building in Area C:

- 1. Enabling industrial firms to measure energy efficiency:** sub-meter installations allow manufacturers to gain clearer insights into consumption patterns across departments, leading to more informed resource management (MOUSTADAMA, 2024).
- 2. Identify firm-level inefficiencies:** nationwide energy assessments and expert consultations for resource-heavy industries (energy audits). Through energy-saving measures such as improved insulation, air curtains, and machinery upgrades, significant reductions in energy waste can be achieved
- 3. Energy storage and distribution:** Integrating Battery Energy Storage Systems (BESS) with utility-scale solar PV projects, would tackle grid inefficiencies, manage supply fluctuations, and optimize the use of renewable energy, paving the way for a more sustainable energy infrastructure. By efficiently storing excess energy and releasing it during periods of peak demand, BESS reduces grid overloading, enhances stability, and minimizes operational inefficiencies. This combination of technologies offers a sustainable solution to manage supply fluctuations while improving grid stability, energy reliability, and the overall efficiency of electricity distribution systems (Martinez-Bolanos et al., 2020; The World Bank Group, 2020).

5. CONCLUSIONS

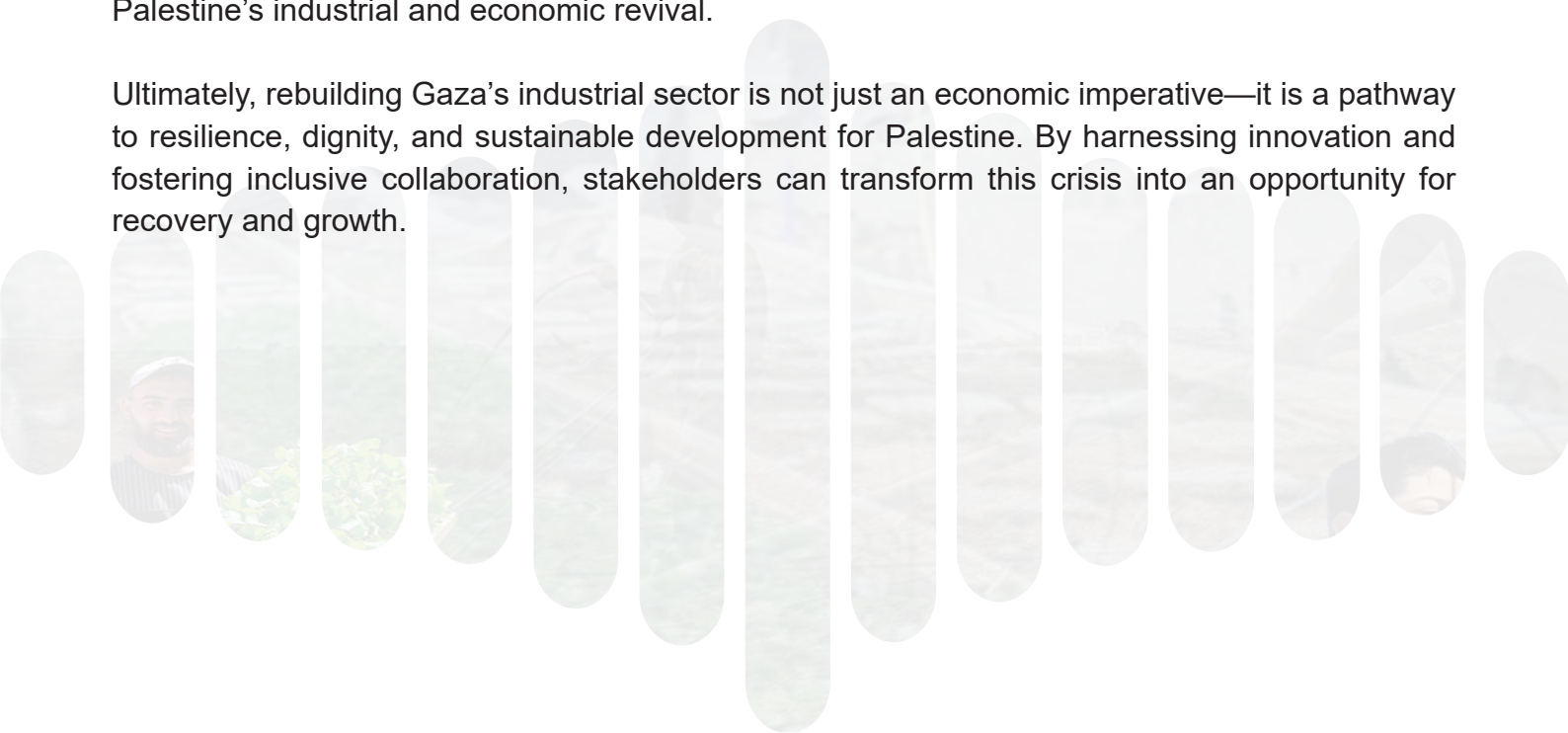
The war on Gaza has dealt a devastating blow to the Palestinian industrial sector, exacerbating pre-existing economic vulnerabilities and severely disrupting livelihoods, trade, and productivity. Despite these immense challenges, the sector holds potential as a driver of relief, recovery, and long-term resilience if innovative strategies and international collaboration are effectively mobilized.

Key to recovery will be rebuilding infrastructure, facilitating the entry and exit of goods, and stabilizing cash flows for industrial establishments. Prioritizing labor retention, supporting light

industries essential for food production, and implementing targeted cash injections can help prevent further economic deterioration. In parallel, fostering innovation in import substitution, renewable energy, and market information systems can reduce dependency on external actors and create a foundation for self-reliance.

Sustainable recovery also demands a shift in policy focus. Trade policies must reduce reliance on Israeli inputs and markets, while industrial development must address energy inefficiencies, land access restrictions, and inadequate infrastructure. Investment in local manufacturing capabilities and alternative inputs, along with regulatory reforms and public-private collaboration, will be vital. Given the PNA's constrained fiscal capacity, the role of international donors, the private sector, and global stakeholders will be indispensable. Aligning recovery strategies with broader political solutions is crucial, as only meaningful political change can unlock the structural barriers hindering Palestine's industrial and economic revival.

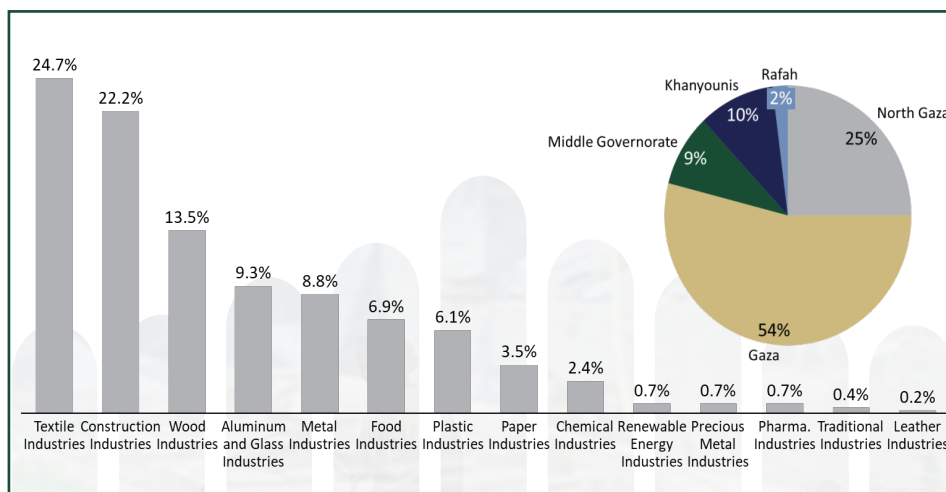
Ultimately, rebuilding Gaza's industrial sector is not just an economic imperative—it is a pathway to resilience, dignity, and sustainable development for Palestine. By harnessing innovation and fostering inclusive collaboration, stakeholders can transform this crisis into an opportunity for recovery and growth.



Annex I | Palestine Federation of Industries (PIF)'s Surveys Breakdown

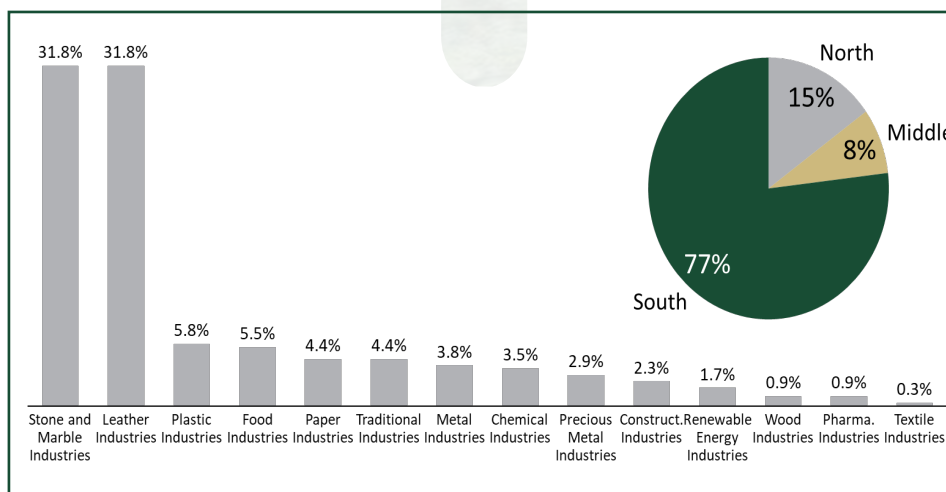
This annex is dedicated to the surveys conducted by the PFI in the West Bank and Gaza Strip. The Gaza Strip survey was conducted in June 2024 and updated in October 2024. Data was collected from 1,200 industrial establishments across 14 industrial sectors in all governorates of the Gaza Strip, broken down in the figure below.

Figure 7: Gaza Strip PFI Survey Breakdown



The West Bank survey was conducted in July and August 2024, collecting data from 345 industrial establishments across 14 industrial sectors across the governorates of the West Bank as seen in the figure below.

Figure 8: West Bank PFI Survey Breakdown



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Discussant Comments: Mariana Mazzucato

I often say innovation is development policy and development should be about innovation policy. Unfortunately, these are often in different domains, both in terms of academia, but also where people talk about them in government. The MAS paper is excellent in how it brings it together, but through a focus on the problems, the problems around energy, around information, of course, the problems around health and your huge problems around the housing that has been destroyed. I think the paper does an excellent job at demonstrating the devastating impacts that the Israeli occupation, even pre war, post war, is having on Palestine and provides key insights on how to turn the challenges, the tragedy into potential opportunities for innovation and really economy wide innovation.

We should remember that all the different areas that you talk to us about require also government to change. This is not about the Ministry of Innovation, this is really about the health ministry, an innovation ministry, a finance ministry, those who have to deal with energy and information to work together in order to actually solve the problems. An innovation that in fact is problem oriented always needs interdepartmental, inter ministerial thinking at the government level, but in the private sector level it needs intersectoral efforts including the businesses in Palestine. We need to think about all the different solutions that are required from public and private investment together in terms of how we build, how we eat, how we move. And this is what MAS means by an opportunity for innovation around these key problems.

My first comment is just to highlight that none of what we're talking about today can happen if the occupation continues. I think this is such an important point that the occupation is at the heart of the crisis, at the heart of the economic crisis, at the heart of the employment crisis, at the heart of the Industrial crisis. So before thinking about how Palestine can rebuild its economy going forwards, we all know that it can only happen if the occupation ends.

The MAS paper shows the way that the war in Gaza has devastated the industrial sector, the fact that economic dependency on Israel worsens Palestine's industrial vulnerability, its resilience, the constrained financial resources which are really limiting any sort of relief and innovation, all these things are the, the background of the paper. Having this as the backdrop helps in explaining why innovation policy and development policy and thinking about the geopolitical situation have to be done hand in hand. We cannot allow the silos of those conversations.

But moving forwards, as the government in the West Bank and Gaza consider how to rebuild, this is, as you say, an opportunity to design a very different type of recovery. In other words, a recovery that has the direction of growth, not just its rate, at the center. I think it's an opportunity for the government itself to change how it operates, because we know there's been problems there. The paper correctly identifies two key issues. One is a set of minimum requirements that need to be met, including entry and exit of goods and independent infrastructure reconstruction, and second, that short term stabilization as the main priority once the conflict ends.

There is an opportunity to design a recovery that really uses the different challenges as opportunities for a massive wave that's required of public and private investment, but also in

terms of the international support that comes in, which must come in, in terms of actually helping to collaborate and create collective intelligence around those areas. And there's some really interesting examples, I think, because I think what we all want to foster is a lot of sharing with Palestine, not just collaboration, but sharing lessons of what works and what doesn't.

For example, in Brazil they have really put these problems around housing, around health, around food, at the center of how they think about innovation. So again, bringing together what I would call what I have called the entrepreneurial state, an innovation state, with a welfare state. If we care about the well being of people and the tragic consequences of the war on Palestine, in terms of what it means for everyday life, in terms of the schools, the housing, the health, the energy, then how to actually bring together our understanding of well-being and welfare with innovation. And these require institutions, Brazil has its Health Economic Industrial complex, which has designed its industrial base around health innovation to deliver on the government's priority of providing accessible health services for all Brazilians, but also healthy food.

Meanwhile the Ministry of Health designed productive something called productive development partnerships - PDPs. These are agreements between the government and the private pharmaceutical industry around, for example, vaccine production. And to initiate a pdp, several prerequisites must be met, including first, technology transfer and sharing of intellectual property rights. Second, having a Brazilian public entity in the government capable of actually facilitating that technology absorption. And third, local manufacturing requirements, making sure that these PDPs actually lead to new skills, new training at the very, very local level. And it's due to these requirements, those three requirements, that the PDPs have led to price reductions of up to 30% for strategic health products, yielding significant savings for the Ministry of Health.

I wrote the book *A Mission Economy* because in fact, even to get to the moon, they had to think about, you know, what would the astronauts wear, how would they move, how would they eat, how would they go to the bathroom. And it was solutions to those problems that got us baby diapers, baby formula, insulation.

So thinking about all the different problems that Palestine is facing today leads me to thinking about problem oriented partnerships and also problem oriented parts of the government which try to foster bottom up solutions in the private sector for very specific public needs. And that then shapes a more mutualistic, symbiotic relationship between the public and private actors. This need to develop more symbiotic partnerships can really be done by thinking of creative conditionalities at the center of these purpose oriented partnerships.

Another point is that the MAS paper really looks at how we might require import substitution to drive economic diversification and sectoral transformation. I think here again it's important to consider, especially in the areas where there is some expertise, like in stone and marble industries and the leather industries that the paper talks about, the degree to which diversification has not always been the outcome of import substitution. Experiences in Latin America have shown that sometimes when not very well structured, import substitution strategies haven't necessarily worked. They are highly vulnerable to economic shocks and create an over dependence on domestic markets, which is of course an issue when those markets are very small.

This is not to say that import substitution is not the solution, but it really should go hand in hand with more explicit attempts to diversify these markets. It's interesting, given you're the paper's comments on the information sector, to think of the new digital services that are required actually to make sure that production in these areas, like the marble sector, like the leather sector, actually are transformed into more sustainable and inclusive practices.

When discussing this concept of directed growth and purpose/mission-oriented growth, of course water is a huge area. The West Bank and Gaza are extremely water stressed and face very, very high levels of water pollution. Access to improved water in Gaza has dropped from near universal coverage two decades ago to almost zero in all areas of the region. Something like 108,000 cubic meters of untreated or partially treated wastewater are disposed of daily into the sea or the Gaza Valley due to this overloaded and poor functioning wastewater treatment plants, meaning that the coastal environment is really, really heavily contaminated.

Again big problems that require many different sectors to innovate. But the water related missions identified by the Global Commission on the Economics of Water are super relevant to Gaza, to all of Palestine. We talk about five different missions. The first is to launch a new revolution in food systems. The second is to conserve and restore natural habitats critical to protecting green water, not just blue water, that means also the biodiversity. The third targets establishing a circular water economy. The fourth is to enable a clean energy and AI rich era with lower water intensity. The fifth mission, which I think is really important right now, during, you know, post war recovery hopefully is to ensure that no child die from unsafe water by 2030.

So using a mission like that to drive an industrial strategy around public and private investment to make sure that no child in Palestine dies from unsafe water by 2030 could be very interesting I think to focus the mind on all the different sectors, including digital sectors that will be required to invest and innovate towards that. A mission-oriented strategy really requires also changing the mind to not think of welfare here, innovation there, but using the key welfare problems to drive economy wide innovation and for the government itself to become a bit more dynamic, to really think in an inter ministerial way and definitely to use any international support that arrives to put it at the center of the innovation strategy.

Fifth Paper

International Scientific Symposium

**Priorities for Palestine's Economy
in the Midst of War**

Social Protection to Combat Mass Poverty and Fragility

Anmar Rafeedie

This is the Fifth Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

1. Prelude: Palestine's Socioeconomic Profile on the Eve of the War

Amid widespread devastation, which underscores the daunting challenges for future rehabilitation and recovery, this paper aims to outline key priorities to support all those affected by Israeli aggression. Additionally, since the struggle, as would appear by historical reviews, will persist in generating precarities even beyond periods of intense aggression, this moment in history serves not merely a reminder but a wake-up call for Palestinian planning and development. To fully understand the socioeconomic precarities certain groups face, tracing their roots back through history is essential. These precarities are not simply the result of failed public, social, and economic policies; they are deeply embedded in the colonial legacy that has endured for 76 years. In Palestine, several socioeconomic groups are historically and inherently fragile and susceptible to vulnerability given their geo-political status, including refugees, Palestinians in Area C and the Jordan Valley, in the Gaza Strip, and women as a cross-sectionally marginalized group.

The emergence of refugees as a distinct group is a direct consequence of settler colonialism and its policies of ethnic cleansing and mass displacement during 1948 and 1967. 1.5 million, out of the 6 million registered Palestinian refugee population, is scattered in 58 recognized refugee camps in Jordan, Syria, Lebanon, and Palestine,¹ In Palestine, about 2.5 million refugees live in the West Bank and the Gaza Strip. Today, about 66.1% and 26.3% of the Gazan and West Bank population are refugees, respectively (PCBS, 2024a). The refugee population is confined to overcrowded camps with limited access to electricity and basic infrastructure, including roads and WASH services. They are entirely dependent on UNRWA for social support. Even before the recent aggression, refugees constituted the majority of those receiving social assistance, with their reliance on aid growing steadily over time.²

These pressures have been mounting against the backdrop of Israeli government policies powered by extremist forces who have long been strategizing to seize full sovereignty of the West Bank. This manifested into further annexation, land grab, and escalating settler violence. Movement restrictions have continuously hindered people's accessibility to various socioeconomic services, such as health, education, water, and electricity. These restrictions have taken the form of direct physical barriers such as refusing permits for running water and energy networks, or demolishing schools, and hospitals, as well as limitations on mobility to and from services, including the disruption of movement of mobile clinics, ambulances, and students. Palestinians living in Area C are faced with daily attempts of displacement using various Israeli policies, including the demolition of basic services, and destruction of livelihoods (MAS, 2024a). A map of poverty in the West Bank reveals that refugees and people living in Area C are among the top social groups that live well below the poverty line.³

In the Gaza Strip, the state of de-development caused by the 16-year long Israeli-imposed siege, and repeated aggressions, are at the root of mass poverty and fragility as a direct result of de-development. After the 2014-aggression, 65.1% of households in the Gaza Strip noted a downturn in their economic status when comparing the pre-aggression and post-aggression periods of that year, with over half of the families having experienced income reductions (52.7%) (PCBS, 2016). The decrease or loss of income due to the aggression was identified as the primary catalyst for

1 UNRWA, "Palestine Refugees," accessed on 04\11\2024, by: <https://www.unrwa.org/palestine-refugees>

2 According to data of social assistance provision demographics, PCBS, Socioeconomic Conditions Survey for selected years 2012-2020, can be accessed by: <https://www.pcbs.gov.ps/PCBS-Metadata-en-v5.2/index.php/catalog/Socio-Economic-Conditions/?page=1&ps=15&re>

3 "Interactive Atlas of Poverty, 2017," PCBS, accessed by: https://www.pcbs.gov.ps/site/lang_en/1221/default.aspx

food insecurity among families (UN Women, 2021). The fact that 74.7% of households in the Gaza Strip still relied on aid after the cessation of the aggression according to PCBS (2016), underscores the enduring infrastructural damage inflicted not just by the aggression but by 16 years of blockade and disconnection from the world.

Just before the aggression, the poverty rate in the Gaza Strip stood at 63.6%, with extreme poverty at 45.1% (PCBS, 2024b). In contrast, the West Bank had significantly lower rates, with 11.5% of people living in poverty and 4.3% in extreme poverty (PCBS, 2024b). Relatedly, food security rates were also high with 76% of people in the Gaza Strip insecure, in comparison to 24% of people in the West Bank (34% for Palestine).⁴ Despite high educational attainment, unemployment rates in the Gaza Strip are significantly higher than in the West Bank (PCBS, 2023), coupled with an absence of a just Social Security Law to protect those employed. Restrictions on movement of people and products, as well as on productive sectors impact local production severely, weakening several vital sectors and activities, most importantly including health, agriculture, industry, and commerce. The discussion of the provision of sustainable social protective systems as a tool for combating mass poverty, and poverty alleviation, cannot be divorced from the discussion on the political economy of aid in Palestine. The Palestinian economy remains de-developed because of dependency on both Israel and international aid (Roy, 2016; Taghdisi-Rad, 2011). Decades of occupation, and the resulting birth of vulnerable socioeconomic groups within a context of de-development and limited governmental will for resilient economic growth, rendered Palestine highly reliant on international aid and its conditionalities. A reliance that is strong in nature, leading to fast deterioration amid fluctuation.

2. One Year into Aggression: Images of Devastation

2.1 All the 'cides' of Genocide in the Gaza Strip

Over this past year, Gaza has become the case study where the concepts suggested by scholars fit 'perfectly.' The suffix 'cide,' and its combination form, typically used to denote acts of killing, has been applied to the context of Gaza to describe deliberate and systematic destruction of key welfare sectors.

One year of aggression has brought to the forefront the re-emergence of concepts that encapsulate the mass destruction occurring in the Gaza Strip, with genocide being the most prominent among them. The loss in human capital in previous aggression pales in comparison to this past year, with over 44 thousand martyrs, approximately 30 thousand of whom were children and women.⁵ While estimations reveal over 100 thousand of 'indirect' deaths could be sound given the state of malnutrition, restrictions, and deterioration in WASH services.⁶ Yet those still alive are grappling with near death experiences daily, with deteriorating socioeconomic conditions that leave people uncertain about what the future holds.

Spaciocide, Urbicide, and Domicide, the physical destruction to cities, homes, spaces, and physical infrastructure, are three of the most visible forms of destruction. Yet what they entail in detail also reveals dark images of deliberate destruction of the social fabric. These not only constitute the

4 https://fscluster.org/sites/default/files/documents/food_insecurity_0.pdf

5 PCBS, "Martyrs," accessed 15/11/2024, at: https://www.pcbs.gov.ps/site/lang_ar/1405/Default.aspx

6 For more details on mortality estimation: <https://www.gazahealthcareletters.org/usa-letter-oct-2-2024> ; <https://aoav.org.uk/wp-content/>

destruction of physical structures in the Gaza Strip, but also a deliberate attack on people's ability to maintain livelihoods, health, and education (Hanafi, 2006). All of which fall under the umbrella of 'Sociocide,' the act of destroying all components of society, including social, economic, cultural, and spatial, with the aim of eliminating an entire group of people (Abdel-Jawad, 1998).

In what can be described as 'Medicide,' one can observe the deliberate targeting of the healthcare system in the Gaza Strip, not just during this war, but historically as well (Perugini and Gordon, 2024). 34 out of 36 hospitals in the Gaza Strip have been destroyed,⁷ leaving thousands of both new and existing patients facing critical shortages in healthcare. This is compounded by the killing of doctors, nurses, medics, and ambulance drivers, and repeated evacuation orders and raids by the Israeli occupation military. The healthcare system is on the verge of collapse, struggling with shortages in medical supplies to address the growing malnutrition and spread of disease. This past year has also seen the re-emergence of the term "Scholasticide," as a broad framework to conceptualize Israeli attacks on the educational system as a whole. The evidence of 'scholasticide' is nothing short of abundance; 564 martyred educational staff, 12,061 student martyrs, 506 schools and universities destroyed or damaged (Wafa, 2024a), almost all school buildings are being used as shelter, and 625 thousand students losing one school year, including 45 thousand first graders (UNICEF, 2024).

The enormous damage to civilian infrastructure left over 2 million Palestinians in Gaza displaced, with no housing, or access to essential infrastructure and services, such as health, education, WASH, and electricity. The case of mass displacement is not only a humanitarian crisis but also a direct path to long-term economic impoverishment, as the harsh living conditions further entrench poverty (World Bank et al., 2024). As the provision of social services has been drastically curtailed, leaving people to eke out a life of whatever is available, and turning the Gaza Strip into a subsistent economy. As a result, various negative coping mechanisms have emerged, such as reducing the number of meals, cutting portion sizes, or consuming foods with little nutritional value. In what can be described as 'weaponizing starvation,' Israeli policies historically, and during the current aggression have included refusal of entry of aid, deliberate targeting of aid and humanitarian workers, and refusal of entry of goods (MAS, 2024b). These measures have driven up food prices, as the scarcity of supplies exacerbates the impact of supply and demand dynamics (MAS, 2024b). All of which have proven to be a ploy to displace Gazans from their homes, to expand Israeli control and dominance over the Strip in an accelerated demographic transition for the region (MAS, 2023a).

2.2 A Beleaguered West Bank

A year into the war, the livelihoods of Palestinians in the West Bank have been impacted in all three labor sectors, private, public, and in Israeli settlements. The first economic shock to the West Bank occurred with the sudden loss of income from labor in Israeli establishments, affecting approximately 180,000 Palestinians in the initial days of the conflict. This income loss not only leaves around 58,000 families without financial support,⁸ but also threatens to cause a 29% decline in annual GDP (MAS, 2023b), as these workers contribute approximately \$30 million monthly to the national economy,⁹ this loss is a major driver of reduced consumption in the local

7 PCBS, "Destroyed Buildings, accessed on 10/10/2024, at: https://www.pcbs.gov.ps/site/lang_en/1408/Default.aspx

8 Estimations based on average Palestinian family size.

9 Calculations based on "Quarterly Palestinian Balance of Payments" for Q1-3 2023, published by Palestinian Monetary Authority, <https://www.pma.ps/Portals/0/Users/002/02/2/Monthly%20Statistical%20Bulletin/External?ver=2022-02-24-090132-257>

market. The crisis is further intensified by heightened restrictions on the movement of people and goods, leading to the shutdown of 30% of private sector businesses (PCBS, 2023), and leaving about 130,000 without employment,¹⁰ grappling with the corresponding increase in food and product prices as the demand for them grew amidst closure. Israel's refusal to transfer hundreds of millions in trade tax clearance revenues, combined with the ongoing decline in foreign aid, has severely strained the already struggling Palestinian budget, resulting in further delays in salary payments for approximately 200,000 public sector employees.¹¹

The use of 'scholasticide' also applied to the West Bank, where about 782 thousand students face obstructions in their accessibility to schools, either from said movement restrictions or closure of schools of 8-20% of schools in the West Bank (UNICEF, 2024). Obstructions on schooling also include the 69 attacks on schools, and an additional 2,354 incidents affecting school, their staff, and students (UNICEF, 2024).

With plans to further annex the West Bank, championed by Finance Minister of Israel Bezalel Smotrich and supported by the United States, the crackdown on the West Bank has intensified in various forms. Increased settler violence and annexation efforts have led to the displacement of 4,450 Palestinians since October, including 1,875 children (OCHA, 2024a). This period has also witnessed an increase in Israeli settler attacks on Palestinians which totaled 1,390 attacks, leaving 135 injured or killed, and resulting in the destruction of property and the displacement of 1,528 Palestinians (OCHA, 2024a). With the re-election of Donald Trump, Israel's top ally, 2025 looks bleak for the West Bank under Smotrich, who is laying the groundwork to effectively annex the territory and further fragment Palestinian geography, threatening the future existence of its native population.

3. Implications for Future Poverty Indicators

As a result of the previous, it is projected that the Human Development Index (HDI) will fall to 0.643 in Palestine, while poverty rates, according to monthly consumption patterns, will likely increase to 74.3%, leaving 4.1 million people poor by the end of 2024 (UNDP and ESCWA, 2024). In the Gaza Strip, the dire economic situation is further compounded by increased levels of poverty and will sweep almost all Gazans under the poverty line (UNDP and ESCWA, 2024). With intensifying movement restrictions in the West Bank, poverty rates are expected to increase to 75%, even in the best-case scenario (UNDP and ESCWA, 2024).

Monetary poverty, as measured by monthly consumption patterns, cannot be discussed divorced from multidimensional poverty, its indications, as well as implications. Monetary poverty can lead to multidimensional poverty through financial inaccessibility to services, as it is linked to reduced purchasing power and subsequent expenditure levels and the consequent reduction in the ability to obtain services. An unpublished report by MAS revealed that families have been unable to receive treatment or schooling due to financial restrictions given the decrease in income, or have de-prioritized said services to ensure others, such as food, have been met (MAS, 2024c).

10 Calculations based on "Labor Force Survey" for Q3-23 and Q1-24, published by PCBS.

11 According to: PCBS, "current status of the Palestinian labour force in 2022," 30 April 2023, at: <https://pcbs.gov.ps/post.aspx>

Multidimensional poverty is set to increase from previous rates of 10.2% to 30.1% in Palestine,¹² impacted by decreasing monetary resources, disrupted freedom of movement, unemployment, constrained access to healthcare and schooling in both regions (UNDP and ESCWA, 2024). As GDP plummets, and unemployment rises, monetary poverty is expected to increase drastically compared to - already high- pre-war levels to reach 74.3% by the end of 2024 (UNDP and ESCWA, 2024). This increase is not solely attributed to the decrease in monetary capacities or purchasing power, but also because of the extensive destruction of essential infrastructure, as well as movement restrictions to people and goods in both regions.

By nature, the most impacted dimensions are housing, safety, and access to services. Amid the widespread destruction, large segments of the population now face severe deprivation across all seven dimensions, including access to water and electricity, employment, overcrowding, ownership and use of assets, and issues with ventilation in housing. Previously, only smaller percentages of the population experienced deprivation in these areas (UNDP and ESCWA, 2024). Multidimensional poverty will likely increase from 19.5% in 2017 to 52.6% by the end of 2024 if the person only experiences deprivation of at least half of indicators of multidimensional poverty, affecting at least 82.8% of the population (UNDP and ESCWA, 2024).

The significant deterioration in non-monetary welfare indicators and multidimensional poverty (MDP) by the end of 2023 is likely to reverse the progress made in welfare across Palestine since the end of the pandemic until October 2023 (World Bank, 2024). Even under the most optimal circumstances of a recovery driven by double-digit growth rates, substantial foreign aid, and eased movement restrictions, welfare levels will likely take decades to revert at least to the dire pre-October 2023 benchmark (UNCTAD, 2024).

4. Challenges to relief, rehabilitate, and recover

4.1 Fragmentation amidst Chaos

The social protection system, as highlighted by many studies, is characterized as disorganized and fragmented, with limited cooperation and coordination between the different actors beginning at the institutional level leading to the beneficiaries (ACAPS, 2021; ILO, 2021; MAS, 2024d; MAS, 2023b). To ensure widespread relief, covering all those facing various forms of monetary and non-monetary poverty, the disorganized and fragmented manner of the social protection system poses a dilemma.

At the institutional level, in addition to the newly established national registry, there is no unified data collection methodology or database for those living in multidimensional poverty, even when the proxy-mean was adjusted to account for those multidimensionally poor as part of establishing the national registry. As was observed in past social assistance distribution, this fragmentation can lead to the exclusion of people in need, and a correspondent duplication of households who receive assistance (MAS, 2023b; Abu Zaiter, 2022; ACAPS, 2021).

Such challenges in fragmentation can severely impede the aid distribution process under emerging technical issues in aid provision resulting from aggression. A key challenge facing social protection

12 The Multidimensional Poverty Index includes three main dimensions health, education, and living standards, which have 10 indicators: nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, housing, assets, drinking water, and electricity. More on MPI can be found here: <https://hdr.undp.org/system/files/documents/hdp-document/mpireport2024en.pdf>

in terms of provision is the shift in socio-demographic composition, and it corresponds to the most vulnerable groups. The mass destruction and deprivation have indeed impacted all components of the Palestinian population in the Gaza Strip, however, some social groups have been exposed to additional vulnerabilities amidst the war. It is estimated that at least 17 thousand children are now either orphaned or unaccompanied (UNICEF, 2024b), thus rendered more vulnerable than other socioeconomic groups, and in need of protective interventions in various arrays of like. Serious interventions are needed in what is currently a severe case of worsening socioeconomic hardship, to ensure children are protected and receive their basic rights in the absence of parents. The martyrdom of parents and the destruction of housing present additional challenges to data collection, as both key units—households and housing units—have been significantly altered. Now more than ever, there is a need for a unified system that can swiftly absorb shocks through cooperation.

Most importantly, the usefulness of cash assistance remains contingent on liquidity in the market. The Gaza Strip, a cash-based economy, has been grappling with an intense liquidity crisis during the aggression marked up vast destruction of ATMs, and a severe cash shortage, further exacerbating hardships faced by individuals as cash assistance procedures are severely hampered (OCHA, 2024b). Due to the bombing, and evacuation orders, many Palestinians cannot reach the few remaining functioning ATMs, and cash itself has been severely damaged. As such, many are having to transfer funds to private establishments and individuals are only able to exchange them at extortionate rates.

4.2 Public Financing, Resource Allocation, and Prioritization

Many argue that policymakers in fragile states encounter substantial obstacles in formulating and executing social protection strategies (Carpenter et al., 2012; Easton et al., 2017). This includes insufficient funding and a lack of capacity to provide essential services to citizens, leading to reliance on foreign aid for protection. Yet, the situation is more complex. Undoubtedly, the existence of a seventy-six-year long colonization by Israel is at the root of the dilemma of production systems that produce sustainable social protection.

Still, when discussing social protection as a socioeconomic system that must intend to eliminate socioeconomic vulnerabilities and promote sustainable development and protection for individuals as well as the economy, it is important to highlight the role of the Palestinian government in the sector's weakness. A quick revision of sectoral allocations reveals the disparity between various sectors. The economic affairs sector, an essential sector for development and sustainable social protection structures, under the citizens' budget merely receives 5.7% of the sectoral budget allocations.¹³ This sector includes, among many others, Ministry of Agriculture, Ministry of Labor, Ministry of National Economy, Ministry of Entrepreneurship and Empowerment, Ministry of Energy and National Resources, and the Palestinian Agriculture Credit Institute.¹⁴ Other sectors not related to socioeconomic development, take up more percentages of the budget instead, such as public services. Even when compared to other sectors related to socioeconomic development that promote social protection, the economic sectors' budget pales in comparison.

Even still, already-existing social sectors, still disproportionately receive budget allocations when compared to other sectors not linked to socioeconomic development and poverty alleviation. For

¹³ "Citizen's Budget, 2024, accessed on: <https://citizenbudget.ps/>

¹⁴ "Citizen's Budget 2023," Ministry of Finance, 2023, accessed on: <https://www.pmf.ps/documents/budget/2023/citizen2023.pdf>

example, on average, the security sector makes up more than 20% of PA spending, whereas social protection has made up only 17.6%, and education and health 20.5% and 14.3%, respectively.¹⁵ The social protection system falls further down the line of priorities in allocations each year, this year taking 17.6% of the budget,¹⁶ 18.3% in 2023,¹⁷ and about 20% in 2022.¹⁸ While Palestine's social protection allocations positively differ when compared to other countries, such as Jordan, whose allocation is 10.7%,¹⁹ the overall Palestinian context, with successive aggressions, destruction of productive capacities, produced many deficits and vulnerable communities, that need intense social protection services that 17.6% clearly does not cover.

Arguments are frequently made that, despite a formal shift in strategy and agendas toward transforming the social protection system from a 'relief' model to a 'developmental' one—focused on cluster development and holistic growth, the sector remains largely centered on relief provision (MAS, 2024d). A key issue is the disproportionate allocation of resources to social protection without equal investment in the economic sector, which keeps the focus on relief rather than long-term development. Even in relief efforts, budget allocations have fallen short, as shown by the National Cash Transfer Program (NCTP), which made only one of the four planned payments to households already in poverty before the war. The budget of the program, even though it was taking up about 90% of the Ministry's budget,²⁰ was not able to cover all those under the poverty line. As it stood last year, MoSD's NCTP only covered 40% of households in extreme poverty, but did not cover poor households, meaning that 60% of extremely poor households and all poor households do not receive assistance through this program (ACAPS, 2021). In this context, it is worth noting that the Ministry of Social Development only received less than 5% of the total governmental budget.²¹

This combined highlights the paradox between governmental aims towards sustainable development, that is enacted through development-by-cluster approach, economic disengagement, a cohesive, resilient community capable of development.²² As such, one must observe the impact such allocations and public expenditures might have on social provisions to mitigate a socioeconomic crisis this large, and not only relieve the resulting 4.5 million poor people, but also lay the groundwork for recovery and rehabilitation.

4.3 Unreliability of Aid Provision as a Primary Financial Source for Social Protection

Within the context of social protection, the high reliance on aid as a primary source of funds for social protective programs renders the program unsustainable and easily impacted by the shifts in the international aid environment and key players shifting positions. As it stands, 45% of the NIS 490 million budget for the NCTP is funded by the EU, while 55% is locally funded by the PA.²³ Reliance on international aid for a social protection system or development under colonial dominance with no international accountability for the Israeli occupation, can render the social protection infrastructure contingent to Israeli control and domination. This was highlighted as a

15 "Citizen's Budget 2023," Ministry of Finance, 2023, accessed on: <https://www.pmf.ps/documents/budget/2023/citizen2023.pdf>

16 "Citizen's Budget, 2024, accessed on: <https://citizenbudget.ps/>

17 "Citizen's Budget 2023," Miftah, accessed on: http://miftah.org/Publications/Books/CitizenBudget_General_Budget_for_the_Fiscal_

18 "Cabinet approves draft budget law for fiscal year 2022 with total expected revenues of \$ 4.7 billion, expenditures of \$ 5.8 billion and a deficit of \$ 558 million," 31 March, 2022, accessed on: <https://tinyurl.com/25tuxske>

19 "Jordan Profile," ILO, accessed on : <https://www.social-protection.org/gimi/ShowCountryProfile.action?iso=JO>

20 Citizen's Budget, "Citizen's Budget for Ministry of Social Development 2023," at: <https://citizenbudget.ps/ar/node/505>

21 Citizen's Budget, "Citizen's Budget for Ministry of Social Development 2023," at: <https://citizenbudget.ps/ar/node/505>

22 "Citizen's Budget 2023," Ministry of Finance, 2023, accessed on: <https://www.pmf.ps/documents/budget/2023/citizen2023.pdf>

23 "Citizen's Budget, 2024, accessed on: <https://citizenbudget.ps/>

key dilemma during this aggression, where Israeli policies during the aggression used aid as a political coercion tool, whereby aid provision was severely disrupted by either refusing aid entry, or targeting aid and humanitarian workers, leaving people, causing a persistent risk of famine in the Gaza Strip.

A year into the war also saw unprecedented attacks on UNRWA, the leading social assistance provider in the West Bank and the Gaza Strip, that culminated in a bill by the Israeli Knesset to ban UNRWA and prohibiting its operations and provisions of services and activities (Wafa, 2024b). Attacks on UNRWA during this year included attacks on its facilities, damaging 190 UNRWA installations, leaving only 7 out of 27 operational health centers (UNRWA, 2024a), and 70% of the Agency's schools directly attacked (UNRWA, 2024b). With almost 66% of the population in the Gaza Strip being refugees and reliant on UNRWA for various socioeconomic services, this casts daunting forecasts on the future of multidimensional poverty for a large segment of the Gazan population, particularly given the increased fragility the Israeli aggression has produced. Similarly in the West Bank, with vast infrastructural damage caused by the Israeli occupation in multiple refugee camps, UNRWA's position in the social protective system is more crucial than ever.

4.4 Sustainable Protective Productive Systems

It has long been argued that a crucial element of social protection is the development of a productive local market, one that fosters emancipation, independence, and economic growth, while also supporting local production and workers within key sectors like agriculture and food systems. However, a major obstacle to rehabilitation and recovery in the realm of social protection is the pervasive influence of colonial domination. These power dynamics—both within the region and internationally—directly shape and hinder progress in this area, as in many others.

Promoting local production now offers a key solution for sustainable development and social protection, especially in rehabilitation. With around 171,000 unemployed workers and vast unused agricultural lands, the potential for revitalizing the sector is clear. However, colonial violence, annexation, settler violence, and trade restrictions have historically hindered progress, eroding the sector's capacity to contribute to GDP and provide essential employment. The wage gap between Palestinian and Israeli markets drives many Palestinian workers to seek employment in settlements to support their families. A key challenge is redirecting labor away from these settlements once local opportunities are available. The lack of a social protection system ensuring fair wages, aligned with market prices and inflation, along with jobs offering full socioeconomic rights, is a major barrier. Additionally, the absence of strong monitoring and legislative frameworks to protect workers' rights worsens the issue. In the Gaza Strip, advocating for food sovereignty to ensure food security and protect livelihoods is challenging, as it remains dependent on fluctuating international aid and movement restrictions. The agricultural sector has been severely damaged, with over 75% of agricultural land degraded, leaving little arable land (Euro-med, 2024).

Currently, the agricultural sector, along with other economic sectors such as industry, receives minimal government support within the sectoral budget.²⁴ This leaves the sector struggling not only with the restrictions imposed by the Israeli occupation but also with limited resources to foster growth and development. Agricultural and other productive sectors face significant barriers that hinder local and economic progress, particularly in area C, where large swaths of agricultural land

²⁴ "Citizen's Budget, 2024, accessed on: <https://citizenbudget.ps/>

and natural resources are rendered inaccessible due to settlement expansion and settler violence, further stifling the sector's potential (MAS, 2022). What was once Palestine's 'fruit basket,' area C is now impoverished by restrictions on agricultural production and investment.

5. Towards Holistic Social Protective Systems

5.1 Urgent Relief

While it is essential to discuss social protection as a developmental unit rather than one that strives for relief only, the unprecedented destruction on the Gaza Strip and vast, observable decline in multidimensional poverty indicators reveal the need for urgent relief. Before all, social protection must preserve people's dignities and provide them with their basic needs. This would be a key stepping point moving forward to medium term rehabilitation and recovery.

First and foremost, to overcome issues of exclusion resulting from fragmentation in the social protection system, collaboration between international agencies, local non-governmental organizations, grassroots organizations, as well as governmental organizations must be ensured to ensure all those in need receive assistance, while ensuring equality in distribution. This collaboration must extend to include cooperation to improve data systems to enhance comprehensive data collection methodologies and monitor vulnerability.

A scale up in cash and food assistance is essential in this case. Several international and national organizations have been providing both cash and food assistance to wide segments of the Palestinian population, including WFP, UNICEF, and FAO. However, what is being sent does not match the required (The Economist, 2024). While Universal Basic Income (UBI) is inherently universal, pilot schemes for (EBI) in specific, targeted areas could prove highly effective. As such, the scale-up in cash assistance could be in the form of Emergency Basic Income (EBI), as it promotes tailored utilization of monetary resources. An EBI scheme covering the Gaza Strip would allow vulnerable households to make spending decisions based on their specific tailored needs. This also goes for the most impacted communities in the West Bank as well as newly impacted. Refugee camps in the northern West Bank, villages in Area C, communities with high employment rates in Israeli settlements, and female-headed households are all groups that could significantly benefit from such initiatives.

All cash interventions must be complemented by market intervention mechanisms to mitigate crises in price inflation in both regions, as well as the liquidity crisis in the Gaza Strip, to ensure people's purchasing power remains strong. Necessities, such as food, fuel, water, and electricity, must be protected to ensure they are not deprioritized as a negative coping mechanism. As such, stabilizing essential services as well as ensuring subsidized essential goods and services is essential to maintain affordability during shocks.

A key complementary mechanism to cash assistance is fostering collaboration between aid-providing entities and local institutions, such as shops and banks, to facilitate cashless payments, and provide the necessary infrastructure, to ensure that digital payments and e-vouchers are fully redeemable in local markets since physical cash has also been damaged. This benefits both beneficiaries and the local economy. Additionally, partnerships between international organizations

and local banks can facilitate the implementation of measures like providing point-of-sale (POS) terminals or mobile payment devices to local merchants, enabling the seamless use of digital cash assistance. Given the ongoing liquidity crisis in the Gaza Strip, the provision of pre-loaded cash cards with e-vouchers offers immediate flexibility and accessibility, allowing beneficiaries to quickly access cash when needed.

In the short-term, mass mobilization for international aid can be crucial as a prerequisite to ensure the PA's ability to provide emergent interventions, and relief to those most impacted by the aggression in the West Bank, and more so in the Gaza Strip. Advocating for an increase in international aid, including mobilizing resources from the Palestinian diaspora. International agencies active in the Palestinian territories, particularly UN agencies, must also play a positive role in ensuring that UNRWA remains a key player in the social protective system, on both the relief and sustainable level. As such, efforts must be directed towards larger appeals that support UNRWA to ensure the Agency is at full financial and administrative capacity to continue supporting those in need during the aggression, and once it is done.

5.2 Sustainable Rehabilitation and Recovery

As Tabar and Salamanca (2013) argue, there is a need to rethink the material conditions needed to produce sustainable and resilient forms of development. On the ground, the social protection dilemma consists of many intertwining levels, that create structural deficits, ones that mere social assistance does not sufficiently unwind, and neither does it relieve by itself. To combat the roots of mass poverty, economic, labor, legislative, fiscal, and social policies must be framed holistically in a way that reduces the economic and social vulnerability of people, and not merely advocate for an influx in donor aid to provide cash and in-kind social assistance. These sectors are often analyzed separately at the policy level, rather than through a holistic approach that reduces the need for extensive social assistance programs. While such programs are still necessary, economic systems should be designed to protect the population, ensuring people are not overly reliant on assistance. Instead, assistance should be a last resort in times of extreme hardship. Rehabilitation and recovery must be a national and local effort to set the pace for future decreased reliance on foreign aid, and sustainable development using local resources, production, and efforts.

Understanding how social, economic, policy, and legislative structures can work holistically to produce economic structures that are protective, is key in working towards combating mass poverty. As the end of the current year approaches, a revision of public spending and resource allocation is crucial for the prospects of recovery and rehabilitation. Prioritizing social and economic sectors in the national budget, as well as in ministry-specific allocations, can significantly advance efforts to improve social protection. Furthermore, increased advocacy is essential to secure additional funding for the MoSD's NCTP, enabling its expansion to include newly affected individuals who are not receiving assistance through the EBI scheme. That is why improving the adequacy and the responsiveness of the NCTP for resilience in future shocks is essential. Key to this is decreasing reliance on international aid, and upscaling its governmental financing.

As a recent paper by MAS underscores, Emergency Basic Income (EBI) is “an integral part of a coherent ‘recovery’ programme,” representing an “optimal” approach to improving the recovery prospects of individuals dealing with trauma (MAS, 2024b). While the issue of targeting may present

a social dilemma and risk undermining social cohesion—thus counteracting the universal intent of such schemes—EBI can nonetheless serve as a foundation for alleviating the multidimensional challenges faced by households. In the long term, the provision of EBI emerges as immediate aid to foster human dignity, autonomy, and economic empowerment.

In the West Bank, where daily life is still impacted, though less severely than in the Gaza Strip, scaling up government support for Cash-for-Work and Cash-for-Assets programs alongside the EBI scheme can help households access basic services tailored to their needs, without relying on additional aid channels. Cash-for-assets, like health, education, and WASH services, can help prevent basic income from inadvertently leading to negative coping strategies that undermine access to essential services. For governments to invest in areas that not only support rehabilitation efforts but also promote sustainable livelihoods. In regions with significant infrastructural damage, like refugee camps and Gaza, expanding public work programs tied to community infrastructure restoration can be transformative, prioritizing labor-intensive methods to improve livelihoods while rebuilding essential services.

Economic development must not be divorced from a political program striving for independence and liberation. As Taghdisi-Rad (2011) affirms, “aid can hardly be expected to act as a tool of economic development in the first place.” As such, investing in productive sectors and establishing productive markets can be key in not only creating sustainable livelihoods but also providing financing to compensate international funding of more than half of MoSD’s primary social protection program. Establishing a strong agricultural sector not only provides sustainable production of food, thus contributing vastly to local production and in turn GDP, but also plays a role in sustainable food security, protecting Palestinians from restrictions and their disruptions to trade and aid. Here, food sovereignty offers a broader conceptualization required in the Palestinian context, whereby small farmers’ livelihoods are protected, and sustainable local food production is possible, thus ensuring societal Sumud during crisis (Nimer, 2024). Here, ensuring that agriculture-based livelihoods are promoted, through input subsidies, drought-resistant seeds, and irrigation support is essential.

Future planning must also establish a sturdy base of protection in case livelihoods deteriorate due to colonial control. While a strong informal social protective system cushions economic shocks in the absence of a formal system and a Social Security Law, ensuring robust social protection mechanisms is essential if conditions deteriorate. Fostering partnerships between local NGOs and the local authority, facilitated by international organizations, is essential to amending the Social Security Law in line with previous demands, grievances, and the specific context of Palestinian colonial realities. The proposed amendments must apply to all segments of society, particularly those working in the private sector, while also ensuring people’s trust in the Law and its funds.

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Discussant Comments: Jayati Ghosh

I want to first of all, express my solidarity with all of you in this very, very tragic and difficult time, but also pay tribute to your courage and resilience. And I do believe that this Symposium is an example of that, of how you can continue to think of ways forward in what would otherwise seem to be an impossible situation. I also want to congratulate MAS for its extremely good paper because it has a very holistic approach, recognizing the interrelationships between the different sectors. It seems to me right now, given the massive difficulties, constraints and complexities that the Palestinian economy is facing, that definitely survival is key and social protection is an essential part of that survival.

Part of that survival definitely requires international solidarity, not only from donors of aid and so on, but international solidarity among all of the people of the world to put an end to this war and to actually bring about some peace. But it is also clear that for Palestine, you do have to move away from an aid dependent economy, and that includes for the needs of social protection. So I want to look at some of the points that the MAS paper has raised, which I think are extremely important.

MAS identified several areas in which social protection is absolutely necessary. And food is the most obvious one: the lack of food security, especially in Gaza, but also affecting many people in the West Bank. Of course, the famine and starvation policies of the occupying power in Gaza are primary in this. The employment losses and the lack of employment security also play a very major part.

And then there is the traditional Social Security, in terms of the inability to earn for other reasons, whether it is old age or sickness or any other disability. When we're thinking of these, we cannot ignore that Palestine is an economy under occupation, and it is a multidimensional occupation, affecting many sectors of the economy. This is a huge constraint on public policies, particularly also in the fiscal domain. So how do you get around that, to provide the kind of social protection that MAS is suggesting?

First of all, you have to recognize that immediately cash transfers may not be the best option, especially in situations where there is no physical availability of goods. And therefore you have to think of in-kind transfers as much as possible in specific situations where the actual physical availability of supplies in the market is limited. But yes, cash transfers also are important and are likely to become much more important as markets recover.

There are also possibilities for the kind of cash for work schemes that you have mentioned in health, in education, in the WASH services, etc. Employment schemes can play a very important role. How do you finance these schemes? And here I want to just hark back to the discussion on monetary policy in this symposium. It seems to me that given the constraints of both monetary and fiscal policy, because of that multidimensional occupation by Israel, you have to innovate. In other words, the PNA has got to innovate. It's not just innovation by the private sector that the PNA has got to encourage, but the PNA itself must be innovating in terms of how it provides these services. I'm thinking here of other economies in crisis where in fact the absence of monetary sovereignty led to new innovations in terms of coupons being created.

We have seen this proposed by then-Finance Minister Yanis Varoufakis in Greece during their severe crisis. We saw this in Argentina during the 2001-03 crisis, when some provincial governments started issuing coupons that could be exchanged for goods and services that would be in a sense guaranteed by the state. So maybe there is a case for funding a range of social services that do not necessarily require imported components, through coupons that are quasi money, if you like, quasi liquidity that would enable some expansion of economic activity, some improvement in both food security and employment security.

Specifically on food security, the MAS paper makes the very important point of stressing local production. But of course, local production is hugely inhibited by water access, which Mariana Mazzucato has already talked about. The problems faced in Palestine are much greater than in many other places because there is absolute denial of access to water and Israeli control over major water sources that prevents even the possibility of cultivation, or severely constrains it. Once again, there is need for innovation.

Across the world, we are seeing more attempts to work on new drought-resistant forms of agricultural production, which really mean the minimizing of the use of water. There is huge scope for sharing that kind of knowledge and for the PNA also to be encouraging that kind of innovation. This requires adjusting to the fact that water supplies are constrained and curtailed. Of course you can complain and demand that they be reinstated, but until then, what do you do? In such a situation, it's very important to innovate to reduce the reliance of water in agricultural production. This is already occurring in several other countries, and Palestine could learn from those experiences as part of an innovation strategy along with the industrial policies.

In terms of the public works for restoring infrastructure, this is hugely important. We have already heard the estimates of the number of years it would take just to clear the rubble and the billions of dollars that would be required to rebuild infrastructure that has been destroyed. But we also have to remember, taking a holistic approach, it's not just infrastructure that has been destroyed. It has also been a massive loss of skilled people, the actual killing of skilled people, especially in the health sector and in education. We must recognize the major losses, not just in terms of the buildings and the amenities and the utilities, but also the people who are required to enable minimal social protection and to enable minimal social policy.

This combination of very large scale unemployment and a loss of skilled people, again requires innovation by the PNA in terms of how to match and bring together the available skilled labor with the needs of rebuilding an economy that has been so utterly destroyed. What has really impressed me throughout this seminar is that so many of the presenters have seen this incredibly devastating crisis as also an opportunity for doing new things and moving forward in a different way.

There is huge potential, given the extraordinary resilience of the Palestinian people and the ability to think forward to the future. We must recognize the constraints: the occupation, the state of government finances, the orientation of the government, the loss of infrastructure and people. There is also the cost of uncertainty—you never know whether what you have done is then going to be attacked the next day. Despite all that, I do believe that you should consider an approach that says we are going to figure out ways of moving around that barrier rather than trying to just bash our heads against it. There are ways of shifting away from

a complete reliance on the tax revenues that are withheld by Israel or on aid or on foreign exchange, towards these new ways that have already been talked about in industrial policy that I believe can also be encouraged in terms of agriculture. It can also be done by utilizing your available skilled labor in ways that would enable you to actually reinstate at least some of the social policy programs that have been destroyed.



Sixth Paper

International Scientific Symposium

Priorities for Palestine's Economy in the Midst of War

Investment in Green Infrastructure and Adaptation with Climate Change in Palestine

Dr. Rabeh Morrar

This is the Sixth Paper in a series of discussion papers prepared for the International Academic Symposium "Priorities for Palestine's Economy in the Midst of War" scheduled for December 4, 2024. These papers reflect on optional scenarios for the post-war phase, including Palestinian governance strategies, immediate socio-economic challenges and priorities, and the (legal, institutional and political) tools at the disposal of the Palestinian people to actively determine their future. They will also analyze the economic policies and strategies that are needed to support Palestine's struggle for independence, focusing on self-sufficiency, economic resilience and productive capacity, trade expansion and market diversification and sustainable growth. The issues also include concern about how to strengthen the social contract in Palestine, focusing on how governance, economic policies, and social services can be aligned to meet public expectations and foster social cohesion.

Introduction

The Palestinian environment has suffered for a long time from substantial challenges that led to steady environmental degradation of the various environmental elements. Such a situation is largely related to the challenges imposed by the Israeli occupation on the economy, society, and various components of the Palestinian environment such as water, soil, and air. In addition, there are several subjective challenges associated with unsustainable consumption and production in various economic activities as well as at the level of individuals and households. The steady increase in population and its impact on the process of economic and social growth and development constitutes an increasing demand for natural resources and thus an increase in the volume of waste and pollutants resulting from increased consumption (Prime Minister's Office, 2020). The Palestine National Voluntary Review for the implementation of the 2030 Agenda indicates that "unsustainable use of resources prevails throughout Palestine, leading to several social, environmental and economic problems that will worsen as these patterns continue" (State of Palestine, 2018).

Environmental elements overlap with different development sectors, meaning that economic activities in different sectors may affect the environment in multiple ways, whether positive or negative. For example, agriculture relies substantially on natural resources such as water, soil, and air. Therefore, unsustainable farming practices such as the use of chemical pesticides and over-fertilization can affect the soil and water pollution. The same applies to the case for industry, which may produce many environmental pollutants such as toxic gases and substances, harmful chemicals, and solid waste. Such pollutants can also pollute air, water, and soil and affect ecosystems. Tourism activities also affect the environment by increasing pressure on natural resources such as water, forests, and beaches, in addition to the establishment of tourism infrastructure that may lead to the degradation of the local environment. Transportation also contributes to greenhouse gas emissions and air pollution, and road and railway infrastructure can result in the destruction of local ecosystems and uproot wild flora and fauna. Therefore, and to mitigate the impact of economic activities on the environment, environmentally friendly actions and practices are needed such as regulating the industry to reduce emissions, developing sustainable agriculture, promoting ecotourism, promoting clean transport and investing in green technology (UNEP, 2020).

There is ample evidence on environmental degradation in the Palestinian territories, including surface and groundwater courses and marine ecosystems resulting from discharge of untreated used wastewater, solid waste, and industrial waste. However, the most highlighted environmental degradation, in addition to the remnants of Israeli settlements, is the contamination of freshwater and groundwater in the West Bank and Gaza by the wastes of Palestinian cities and villages. In the Gaza Strip, the amount of untreated or partially treated sewage flowing daily into the Mediterranean Sea has increased from 90,000 cubic meters per day in 2012 to 100,000 cubic meters per day in 2016 and 110,000 cubic meters per day in 2018.

There is also a marked weakness in the capacity of disposing solid wastes as local communities, municipalities, and village councils struggle to cover the costs of waste collection, transportation, and disposal. According to data from the Ministry of Local Government, in 2022, the amount of municipal solid waste generated in Palestine has reached approximately 1.7 million tons/year (1.1 million tons/year in the West Bank and 0.6 million tons/year in the Gaza Strip).¹ The per capita

¹ <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=4523>

production rate of solid waste is about 1 kg/day, ranging from 0.93-2.78 kg/day in urban areas, 0.73-1.14 kg/day in rural areas, while waste production in refugee camps is about 0.72 kg/day. These figures are expected to increase by about 4 percent annually due to population growth and current consumption patterns.² Organic wastes constituted 46.4% of solid waste in Palestine, followed by plastic (16.4%) and paper and cardboard (14.1%). There is also a significant increase in emitted greenhouse gas rates, which increased from 2739.9 (one thousand tons of CO₂ equivalent) in 2006 to 6,483.71 (one thousand tons of CO₂ equivalent) in 2022.³

This paper aims to explore how Palestine can enhance environmental resilience and responsiveness through the adoption of green policies in infrastructure. The paper will begin by assessing the impacts of climate change and the recent war on the Gaza Strip on infrastructure and resource sustainability that threaten ecological and economic stability, focusing on the challenges associated with water pollution and the degradation of available agricultural land area. Then, the paper will discuss the key challenges that policymakers may face in integrating green infrastructure into post-war recovery plans for the Gaza Strip in the short to medium term. These challenges include occupation, lack of public policies, limited funding for sustainable projects, and the establishment of local capacities to manage green adaptation initiatives, given the political and economic constraints. Finally, the paper will identify policy priorities to enhance environmental resilience in Palestine, possible strategies to strengthen institutional frameworks that focus on practical steps to implement green public procurement, expand investments in green infrastructure, and promote green economy interventions.

1. The Status Quo After a Year of War: The Environmental Repercussions of the Destructive War on the Gaza Strip and the West Bank

The Israeli occupation and increasingly expanding settlement activities are key factors of environmental degradation, thereby undermining the social contract and intensifying social and economic gaps in Palestine. Israel has exacerbated and it continues to exacerbate environmental damage in the Occupied Palestinian Territory since its occupation of the West Bank and Gaza in 1967, through grave environmental violations such as uprooting trees, stealing water, and polluting water canals with sewage from illegal settlements. Furthermore, the negative impacts of prolonged occupation have led to the loss of human and animal biodiversity, harming agriculture, and undermining environmental sustainability (Qumsiyeh & Abusarhan, 2021). Moreover, the negative impacts of prolonged occupation have led to biodiversity loss, posing a threat to endangered species and negatively affecting agriculture, jeopardizing environmental sustainability, and irreversibly damaging vegetation and natural cover in Palestine (Qumsiyeh & Abusarhan, 2021). One of the aspects of environmental degradation is the occupation's control of Palestinian water resources, which has created significant challenges for Palestinians in accessing clean water, which in turn affects public health and livelihoods. Land confiscation in favor of settlements, destruction of natural resources, and transfer of Israeli industrial wastes to Palestinian territories have resulted in land and air pollution, damaged agricultural land and caused health hazards (Qumsiyeh & Abusarhan, 2021).

The environmental situation has seriously worsened after the seventh of October, as the Israeli occupation carries out unprecedented systematic destruction of Palestinian cities in the Gaza

² <https://www.cesvi.eu/wp-content/uploads/2019/12/> (Data includes East Jerusalem)

³ https://www.pcb.gov.ps/Portals/_Rainbow/Documents/Emissions-A2-2022.htm

Strip, accompanied by the large-scale extermination of the agricultural flora and fauna sector, and almost full destruction of fresh water sources and sewage infrastructure in most Gaza Strip areas.

The management of wastewater and solid waste represents significant and increasing challenges in the Gaza Strip, as the comprehensive destruction of infrastructure in the Gaza Strip and the shortage of fuel, since the seventh of October of 2023, caused a disruption in all six wastewater treatment plants and systems in the Gaza Strip, the destruction of about 70 kilometers of sewage networks and the cessation of about 65 sewage pumps that treated about 130,000 cubic meters per day. All these have led to sewage disposal without treatment, either to the sea or to Wadi Gaza, while a large part of it seeps into streets and roads, and sometimes inside homes due to the destruction or blockage of sewage pipes.⁴ Over the past year, the cumulative effects of pollution (whether air, soil and groundwater pollution) associated with the release of untreated wastewater have worsened, as untreated wastewater contains pathogens, nutrients, particulate organic matter, plastic and hazardous chemicals (UNDP, 2024b).

The ongoing Israeli aggression for more than 13 months, and the accompanying significant undermining of municipality capacities through the destruction of most municipal headquarters and transport infrastructure, and the extensive damage caused to vehicles, devices and equipment necessary for the work of municipalities in collecting and disposing solid waste, led to the accumulation of more than 270,000 tons of waste throughout the Gaza Strip (170,000 tons in the south and 100,000 tons in the north).⁵ Most of this waste is accumulated in the temporary landfill sites recently established by municipalities close to residential areas due to the inability to transport the waste to the official landfills (Juhr al-Deek landfill serves the Gaza and northern Gaza Strip governorates, while Al-Fukhar landfill serves the south and center of the Gaza Strip), either because of the lack of vehicles to collect and transport waste or because of the fear of being bombed by the Israeli occupation forces. It should be noted that prior to October 7, the Gaza Strip used to produce 1,726 tons of solid waste daily, including organic materials (more than two-thirds), cardboard, glass, metals, paper and plastics (UNDP, 2024a). This has created significant repercussions on the environmental reality in the Gaza Strip and constituted a major factor for epidemics and skin and infectious diseases by harmful gases (such as methane and carbon dioxide) released by the decomposition of waste inside residential neighborhoods.⁶ According to the World Health Organization, sporadic cases of measles and mumps have been reported, more than 600,000 cases of upper respiratory tract infections, and several cases of meningitis, hepatitis, rashes, scabies, lice, and chickenpox.⁷

The war on the Gaza Strip has led to the accumulation of huge amounts of debris resulting from the destruction of buildings and infrastructure, posing risks to human health and the natural environment. Debris originates from damaged buildings and infrastructure, and it includes construction materials such as concrete, bricks, upholstery, personal belongings, and other waste. Conflict debris differs from ordinary construction and demolition waste in that it contains unexploded ordnance and human remains, and it is released in an unusual way that affects a wider area. According to the United Nations Operational Satellite Applications Software (United Nations Satellite Centre (UNOSAT), 2024), and based on images collected on September 3 and 6, 2024, the Israeli aggression on the Gaza Strip since October 7 has resulted in full or partial

4 <https://www.palestine-studies.org/ar/node/1654921>

5 <https://www.ochaopt.org/ar/content/hostilities-gaza-strip-and-israel-flash-update-166>

6 <https://www.pCBS.gov.ps/postar.aspx?lang=ar&ItemID=5766>

7 <https://www.who.int/ar/news-room/commentaries/detail/children-in-gaza-are-now-at-risk-of-polio-as-well-as-bombs---we-need-a-ceasefire->

destruction of about 163,778 buildings (approximately 227,591 housing units): there are about 52,564 buildings fully destroyed, 18,913 severely damaged, 56,710 moderately damaged and 35,591 potentially damaged. These buildings constitute about 66% of the total buildings in the Gaza Strip. Transport infrastructure was also severely damaged, which significantly affected 62 percent of roads, including 92 percent of main roads, and a large proportion of vehicles, with damage amounting to USD 358 million (World Bank, European Union and United Nations, 2024). The destruction of buildings, roads and other infrastructure has generated more than 39 million tons of debris, some of which are contaminated with unexploded ordnance, asbestos and other hazardous materials that lead to significant and long-term soil pollution and the emission of toxic gases into the air, not to mention the thousands of martyrs still buried under this huge amount of building debris.

The agricultural environment and vegetation cover have received their share of destruction, as ground incursions and airstrikes have significantly destroyed agricultural lands that used to play a major role in the ecological balance, in addition to their major role in achieving food security. In the latest assessment conducted using satellite data by the Food and Agriculture Organization (FAO) and the United Nations Satellite Centre (UNOSAT) in September 2024, 67.6% of agricultural land (6,694 hectares) in Gaza was damaged, compared to 43.6% in May 2024 (FAO, 2024). Specifically, 71.2 percent of orchards and other trees, 67.1 percent of field crops and 58.5 percent of vegetables were damaged. In addition, a total of 1,188 agricultural wells (52.5 percent) and 577.9 hectares of greenhouses (44.3 percent) were destroyed. According to estimates, 25-50 percent of the Wadi Gaza area has been destroyed, along with the ecosystem elements of the area such as wild flora and fauna, ecotourism activities, and the nutrient cycle (such as carbon and nitrogen) (UNDP, 2024a).

The cultural and heritage environment has not been safe due to the destructive war in the Gaza Strip. According to estimates by the United Nations Educational, Scientific and Cultural Organization (UNESCO), which conducted a preliminary assessment of damage to cultural property based on satellite imagery, as of 17 September 2024, out of 120 sites that UNESCO was able to assess through satellite imagery, 69 sites were affected: 10 religious sites, 43 buildings of historical and/or artistic importance, two warehouses of movable cultural property, 6 monuments, one museum and 7 archaeological sites (UNESCO, 2024).

Since the seventh of October, systematic destruction of natural and environmental resources and bulldozing agricultural land have accelerated in the West Bank in an unprecedented manner to expand settlements or establish new military zones. During the past year, the Israeli occupation has carried out extensive destruction of infrastructure, including roads, water, electricity and sewage networks, and accumulation of solid waste in many cities in the northern West Bank, especially Jenin, Tulkarm and Nablus refugee camps, which significantly affected the environmental reality in these cities, particularly due to the accumulation of wastewater in the streets and within residential neighborhoods. The high erection of checkpoints in various areas of the West Bank has also affected the environment through the high amount of burning fuel of cars and trucks due to long hours of stopping at checkpoints or having to use unpaved roads as an alternative to the main ones. Settlers and the army systematically destroyed agricultural land and uprooted trees for settlement expansion, which exacerbated the challenges to the West Bank's ecosystem. According to a recent report by the UN Office of the High Commissioner for Human Rights,

farmers in the West Bank have not been able to access 96,000 dunums of land planted with olive trees across the occupied West Bank, resulting in losses estimated at \$10 million due to the Israeli occupation ban of access to these lands or because of settler attacks (OCHA, 2024).⁸ In addition, the Applied Research Institute – Jerusalem (ARIJ) monitored about 87 attacks on Palestinian trees in the occupied West Bank over the year 2023 (especially after the seventh of October 2023), resulting in the uprooting of more than 8,800 productive trees, 90% of which are olive trees while the other trees that were uprooted are almond, grape, citrus and forest-trees⁹.

2. Key Challenges of Investing in Green Infrastructure during Relief, Rehabilitation and Recovery phases

Investing in green infrastructure in Palestine during the relief, rehabilitation and recovery phases constitutes a multidimensional challenge, stemming from the complex crosscutting between political, social, economic and environmental factors. While green infrastructure is an urgent necessity to promote climate change adaptation and achievement of sustainable development, these efforts are hampered by significant obstacles represented by the Israeli occupation, weak public policies, and limited funding for sustainable projects. In addition, institutional and societal challenges highlight the need for local capacity building, finding innovative solutions adapted to constraints imposed on resources. In this context, this section seeks to review the main challenges facing green infrastructure investment, with a focus on the factors that affect the integration of these projects into relief and recovery plans in the short and medium term.

Despite the specificity of the Palestinian context, international experiences in this field can be used. Experiences of post-conflict countries such as Afghanistan and Syria (UN Habitat, 2022; Kamjou et al., 2024) demonstrated that investing in green infrastructure is not only a means of economic and social recovery, but also a tool to enhance environmental resilience and address climate changes. After decades of war in Afghanistan, the Afghan government began cooperating with international organizations to develop solar and wind energy projects as part of reconstruction efforts, including water management, dam construction, waste recycling, mechanized agriculture, and desertification fighting.¹⁰ In Syria, as well, there are local initiatives aimed at replanting conflict-affected areas, such as tree-planting and using sustainable farming techniques. Moreover, in Iraq, projects have been implemented to improve water management and sustainable agriculture, despite security challenges. In this context, this section addresses the main challenges facing investment in green infrastructure in Palestine, highlighting how to leverage global models to overcome these obstacles and ensure that green infrastructure is integrated as an essential part of relief and recovery strategies.

2.1 Political Instability

The Israeli occupation of the Palestinian territories in the West Bank and Gaza Strip is the main obstacle to sustainable development efforts, as most of the sustainable development goals, include environmental dimensions. After the seventh of October, as mentioned earlier, the frequency of Israeli attacks on various environmental elements has increased, whether in the Gaza Strip or the West Bank.

8 <https://www.ohchr.org/en/press-releases/2024/10/israel-must-stop-violent-settler-attacks-palestinian-farmers-threaten-their>

9 <https://www.arij.org/ar/latest-ar/olive-ocu-2023/>

10 <https://www.ilo.org/resource/news/afghanistan-would-benefit-just-transition-green-economy-workshop-hears>

The approach towards renewable energy is one of the most prominent policies adopted and supported by the Palestinian government during the past decade in the field of transformation towards green infrastructure, and as a means of gradual disengagement from the Israeli energy sector, and the provision of clean and environmentally and financially sustainable energy sources. However, government efforts and private sector investment in the field of renewable energy have been faced with the complexities of the security scene and the difficult political reality in the Palestinian territories. According to the Investment Promotion and Industrial Estate Agency (IPIEA) in Palestine,¹¹ Palestine enjoys a fertile environment for renewable energy through 300 sunny days throughout the year, and a solar radiation rate exceeding 2,000 kWh per square meter. However, the majority of unused areas, representing a significant opportunity for renewable energy investments, are located in areas classified as “C” under the administrative classifications imposed by the Oslo Accords, constituting 61 percent of Palestine’s land in the West Bank, in which Israeli occupation manages civil and security affairs. Israeli restrictions pose a formidable challenge to investment in renewable energy, especially large projects with high economic feasibility, due to the complex and prolonged procedures for obtaining licenses to establish solar power plants, which are often not granted to investors under security pretexts. The occupation also destroyed many solar energy projects and initiatives in communities in areas classified as (C) (Abu Mezied, 2023), which the government and its supporters provided to strengthen the resilience of citizens. In the Gaza Strip, too, solar energy investments and initiatives have witnessed remarkable growth, especially after the year 2006, as an alternative to the problem of power cuts, which was only available for a few hours a day (4-8 hours in the best-case scenario). After 2013, affluent Palestinian households in Gaza turned to solar photovoltaic systems to generate electricity, resulting in an increase in the number of installed systems from 591 in 2015 to 8,760 in 2019 and an increase in the area covered by panels from 115 square meters in 2012 to 20,000 square meters in 2019 (Abu Mezied, 2023).

In recent months, the pace of land confiscation has increased, and the occupation has multiplied restrictions on the utilization of Area “C”. New restrictions have been added to areas classified as “B”, over which the occupation has declared administrative control through the extremist Minister of Finance Smotrich¹², who has begun carrying out demolitions of homes and structures classified by the occupation as illegal. This means that any investments in the field of renewable energy or the agricultural sector in the West Bank will be faced with current and future obstacles that the occupation is expected to impose, especially since there is a high tendency to work rapidly on the plan to annex the West Bank after Trump won the last U.S.A elections and will take office in early 2025, according to the statements by the leaders of the occupation. In the Gaza Strip, the occupation continues to destroy all necessities of life in the northern Gaza Strip and destroys residential neighborhoods and agricultural properties, turning them into security islands inside the Strip. This increases the significant deterioration of the environment and biodiversity in the Strip, increases demographic pressures, and limits agricultural areas or those suitable for renewable energy projects.

2.2 Weak Public Policies and Funding

There is no doubt that political and economic crises plaguing the Palestinian territories as a result of the Israeli occupation significantly affect all government endeavors to achieve inclusive economic, social and environmental development, and its ability to implement the plans and policies it develops for itself. Recent years have witnessed increasing interest in Palestine in

11 <http://www.pipa.ps/files/file/Value%20Proposition/AR/PIPA-%20Renewable%20Energy%20Sector%20VP%20Booklet-%20Arabic.pdf>

12 <https://www.palestinechronicle.com/further-steps-towards-annexation-smotrich-moves-to-expel-palestinians-from-area-b/>

initiatives to shift towards a green economy, especially in the field of renewable energy utilization, which was represented in many prominent initiatives carried out by various parties. Such efforts reflect the growing awareness of the importance of investing in the environmental aspect, and its role in promoting economic growth and achieving sustainable development goals, and being in line with global approaches in this regard.

1.2.2 Clean Energy and Electric Vehicles

In promoting the transition towards clean energy, the Energy Authority, in cooperation with partners, was able to achieve about 92% (119 MW) of the targets included in the renewable energy strategy, which targeted providing 10% of the total electricity used from clean energy sources by 2020, which is equivalent to 130 MW (Prime Minister's Office, 2020). The Energy and Natural Resources Authority's vision also aims to develop the power generation capacity through gas-fired plants, along with the expansion of solar power plants to reach more than 500 megawatts of solar photovoltaic energy by 2030. As for green economy, the debate in this regard has begun early in Palestine. In 2017, the Project of "Creating an Enabling Environment for Business within the Concept of Green Economy" was launched. It was funded by the European Union, managed and implemented by the Palestinian Trade Center "PalTrade", in partnership with the Environment Quality Authority, the Ministry of National Economy, the Ministry of Tourism and Antiquities, the Ministry of Agriculture and the Palestinian Federation of Industries.¹³ The project aimed to develop a national policy that would promote business within the concept of "green economy", which simulates the thought keen on the environment, natural resources, the rights of future generations, and the production of environment-friendly products and enhances their presence locally and globally. However, the project's output did not meet the expectations due to the absence of government policies supporting the green economy as well as the absence of joint work between various government bodies.

Despite the efforts paid to promote the transition towards green infrastructure and a sustainable economy in Palestine through prominent initiatives such as the Sustainable Production and Consumption Plan, the Renewable Energy Strategy, and internationally funded green economy projects, these initiatives show significant gaps that obstruct the achievement of sustainable and widespread impact. On the one hand, these initiatives reflect a growing awareness of the importance of the transition towards sustainable development and its role in strengthening the Palestinian economy in light of political and environmental challenges. On the other hand, the gaps are clearly visible in the weak coordination between the concerned institutions, and the absence of an integrated national vision that unifies efforts and directs them towards achieving strategic goals, and sets clear and realistic priorities, crosscutting environmental, economic and social goals. There is also a lack of integration between environmental policies and other sectoral policies, such as industry, transport and agriculture, which limits the achievement of the overall impact of sustainability. In addition, many initiatives demonstrate weaknesses in supportive infrastructure and implementation on the ground, as they are limited to small or pilot projects and do not rise to the level of large-scale projects of a wide impact. Many of them also lack financial and institutional sustainability, as they heavily rely on donor support without a clear plan to ensure their sustainability in the long run. Moreover, the lack of technical capacity, both in government institutions and in the private sector, reflects a significant gap in the capacity to transform these initiatives into practical and integrated action programs. In addition, there are no effective monitoring mechanisms to ensure compliance with environmental and sustainability

¹³ <https://www.raya.ps/news/1096131.html>

standards, such as practices in the construction or agricultural sector, the absence of integrated legislations and policies that support the implementation of major green infrastructure projects, and the absence of a strong incentive system for investors in this sector.

Although the government has adopted the general strategy for renewable energy, there are many legal and regulatory challenges. The infrastructure for transmitting electricity from renewable sources suffers from significant weakness, as there are more than 250 connection points with the Israel Electricity Company in the West Bank, and 10 connection points in the Gaza Strip, but the goal of the National Transmission Company to unify the connection points to become only 10 points is still elusive due to the geopolitical situation that does not allow connecting the grids (Khaldi et al., 2022). Preliminary estimates also indicate that the existing grids are limited to accommodate the electricity targeted in the National Renewable Energy Strategy, as they can accommodate no more than 50% of the targets of achieving 500 MW by 2030 (PENRA, 2016).

The shift to electric vehicles holds a promising set of returns and positive impacts on the significantly challenging environmental development in Palestine, as electric vehicles can significantly reduce greenhouse gas emissions and air pollution. Furthermore, the use of electric vehicles can enhance energy security by reducing dependence on imported fossil fuels and can stimulate economic growth through the development of the local electric vehicle sector, thereby promoting job creation and innovation. However, the ecosystem for switching to electric vehicles faces many challenges, including the need for significant infrastructure investments in charging points, upgrading the electricity grid, and providing reliable sources of power generation; in addition to weak supportive policies and regulations, including incentives and standards for electric vehicles (Morrar, Alawneh, & Hurani, 2024).

2.2.2 Green Public Procurement

Green or sustainable public procurement is an effective and critical tool for enhancing the environment and reducing the negative impacts of unsustainable consumption and production. The website of the Supreme Council for Public Procurement Policies indicates that the total annual spending on public procurement¹⁴ is estimated at about \$ 750 million, constituting about 22% of the total net government spending. The share of public procurement in the Gross Domestic Product GDP of the West Bank is about 12.3% (including purchases of health services and medical referrals). However, any future efforts to enhance the environmental dimension of public procurement face many legal and regulatory challenges. The legal framework related to public procurement includes many gaps or challenges that limit its effective implementation in sustainable public procurement. There is a lack of systems that effectively and genuinely support sustainable public procurement, not in the legal texts themselves, which leads to a lack of clarity on how sustainability principles are applied. There is also a gap in detailed instructions and guidelines and mandatory standards in standard documents on ways to achieve sustainability, especially in terms of realizing energy efficiency, environment protection, and green building. The standard regulations and documents for public procurement in Palestine depend only on direct cost, but there is no assessment or considerations of indirect impacts on the environment, with the absence of any mandatory standards or policies to enhance the environmental and social dimension, which requires effective mechanisms to ensure compliance with sustainable policies in the environmental and social fields, and regular examination of reports and performance.

¹⁴ <https://www.shiraa.gov.ps/News/Id/54>

3. Possible Priorities and Policies to Promote Climate Adaptation and Investment in Green Infrastructure

After reviewing the status quo of green infrastructure in Palestine, including its intertwined political, environmental and economic challenges, and highlighting institutional gaps and poor coordination between stakeholders, it is clear that addressing these challenges requires a clear vision and thoughtful interventions. Analysis of existing policies and initiatives also shows the importance of building on efforts paid to promote environmental sustainability, while addressing implementation shortcomings and ensuring project sustainability.

Based on these data, the recommendations section provides a roadmap to enhance environmental sustainability, through the adoption of practical policies and innovative strategies that contribute to promoting climate adaptation and developing a green infrastructure that supports sustainable development in Palestine.

3.1 Reconstruction in the Gaza Strip within an Inclusive Environmental Vision

The systematic destruction of the Gaza Strip after the seventh of October has caused serious environmental damage not only to the destruction of infrastructure, but also to the continuous deterioration in the quality of potable water, the destruction of the agricultural sector, which is a vital source of food security and biodiversity, and the pollution of groundwater due to the leakage of untreated sewage, which exacerbates the repercussions of epidemics and diseases in the deteriorating health conditions. This systematic and ongoing environmental destruction poses a direct threat not only to the health of the population in Gaza, but also a long-term challenge to sustainable development efforts in the region, and it requires urgent interventions in order to mitigate these repercussions and begin the process of rehabilitating the damaged environment.

In the medium term, the integration of solar cell technology into buildings is an essential step towards achieving energy sustainability and reducing dependence on traditional energy sources. In addition to the importance of exploiting solar energy in residential buildings and public institutions such as schools and hospitals, which contributes to providing clean and renewable energy, and therefore reduces environmental pollution and relieves pressure on the local electricity grid. Solar panels can be installed on roofs or in available spaces on buildings to achieve the most benefit of sun rays, which helps generate electricity for lighting, heating, and cooling needs, as well as the possibility of storing surplus energy for use at peak times. The use of solar panels also contributes to reducing the energy bills of households and institutions, which reduces the financial burden on the population. Moreover, the integration of this technology into buildings contributes to creating a healthy environment by reducing carbon emissions, supporting environmental sustainability, and enhancing the Gaza Strip's ability to adapt to future environmental challenges.

In the long term, the reconstruction of the Gaza Strip is a strategic opportunity to implement the principles of green building, which aim to use environmentally friendly building materials and techniques that contribute to reducing negative impacts on the environment. The reconstruction in Gaza should include innovative designs that consider energy and water sustainability, with a focus on the use of local and sustainable construction materials to reduce carbon emissions. It is also important to ensure energy efficiency in the reconstruction through using thermal insulation, solar

panels, and energy-efficient lighting systems. Greywater recycling systems must be established, and waste management techniques must be used effectively, which ensures that pollution and uncontrolled accumulation of waste is reduced. In addition, urban afforestation and the use of green roofs that improve air quality and contribute to heat insulation must be promoted, thereby reducing the effects of climate change. Adopting green construction in the reconstruction of Gaza will not only contribute to avoiding environmental damage but will also contribute to creating a healthy and sustainable housing environment for the residents of the Strip.

The reconstruction process of the Gaza Strip, after the widespread destruction of its infrastructure, residential and public buildings, requires the adoption of a comprehensive green environmental vision within a strategic vision for green reconstruction, focusing on promoting environmental sustainability and protecting natural resources. Reconstruction priorities should be geared towards minimizing the negative environmental impacts of war, such as water and soil pollution and waste accumulation. This requires the adoption of sustainable construction techniques and the use of environmentally friendly materials, as well as enhancing the Gaza Strip's ability to recycle waste and improve wastewater management. Furthermore, it is essential to restore damaged vegetation by promoting sustainable agriculture to provide food security and protect biodiversity. Adopting this green environmental vision is not only about rebuilding what has been destroyed by war, but it represents a step towards creating a healthy, safe and sustainable environment for future generations in Gaza.

It is important to establish wastewater treatment plants and reuse the water for agriculture or irrigation, taking into account green practices such as biological water treatment techniques and plant-based systems, reusing wastewater from homes (such as bathing, washing and sink water) after treatment which can contribute to relieving pressure on treatment plants and providing water for agricultural irrigation, using advanced filtration and treatment technology such as reverse osmosis and bio sand filters, and designing treatment plants to rely on Solar energy to operate the necessary equipment. This will reduce traditional energy consumption and will contribute to reducing the carbon footprint of these plants. There is also an urgent need to treat the soil from rocket residues, gunpowder and toxic substances resulting from the use of internationally prohibited weapons in the destruction of the Gaza Strip, through the adoption of several innovative and effective practices. For example, using certain plants that can absorb toxins and heavy metals from the soil¹⁵, applying insulation or mulching techniques to trap toxic substances and prevent their leakage into the surrounding environment.

2.3 Developing a Comprehensive Strategic Vision for Green Infrastructure in the West Bank

As mentioned earlier, Palestine currently lacks a comprehensive and integrated strategic vision that supports the development of green infrastructure, which leads to the fragmentation of efforts between government agencies and the private sector, and the failure to make full use of available resources and opportunities. A clear strategic vision will ensure that policies and resources are directed towards achieving specific and ambitious national goals. This vision must include achieving a qualitative leap in the use of natural resources through sustainable and environmentally friendly technologies, reducing dependence on imported resources, such as traditional energy. This can be achieved by expanding the use of renewable energy and strengthening the resilience of Palestinian areas, especially Area C, through innovative green projects. This certainly requires a

¹⁵ <https://daily.jstor.org/in-phytoremediation-plants-extract-toxins-from-soils/>

range of important policies and interventions, whether in the field of renewable energy, sustainable transport, green public procurement, sustainable agriculture, and others.

In the field of renewable energy:

- Developing legislations and policies related to the renewable energy sector for promoting private investment, in particular an explicit legislation on tenders for projects that can be implemented on government land, defining the responsibilities and obligations of the relevant authorities with regard to the implementation of renewable energy projects, improving licensing procedures for renewable energy plants, and procedures related to complaints, developing legislations related to grid code, and a legislation to reduce distortions on the grid (Khaldi et al., 2022).
- Modernization of existing electricity grids, which have become dilapidated in many cities and cannot afford the quantities of renewable energy that can be generated from investment projects.
- Providing government support for the construction of conveyor lines between generation plants and distribution grids.
- Providing long-term sovereign guarantees to private sector investors
- Identifying and allocating lands near connection points to establish solar power plants.
- Unifying and abiding by the principles of public-private trade agreements, such as power purchase agreements.

In the field of adopting sustainable public procurement policies:

- Promoting the adoption of comprehensive institutional policies and strategies by government institutions in Palestine that support sustainable procurement, while improving the regulatory and guidance system to ensure the continuity and expansion of these practices systematically and sustainably.
- Addressing private sector and suppliers' concerns about the potential additional costs of implementing sustainable practices, by providing the necessary technical support to private suppliers, motivating suppliers to switch towards sustainability practices, and prioritizing suppliers who adhere to practices that create positive environmental and social impacts in government contracts.
- Developing a manual by the Environment and Natural Resources Quality Authority in cooperation with the relevant institutions on "sustainable production and consumption" that includes clear environmental and social standards for the private sector to adopt in its production processes. There should also be close cooperation between the relevant government agencies, the private sector and universities in order to develop joint programs and entrepreneurial initiatives that support the transition towards green production and encourage innovation in this field.

In the field of Sustainable Public Transport (Morrar, Alawneh, & Hurani, 2024)

- Strengthen the regulatory framework in the context of promoting sustainable transport, as the current Traffic Law does not directly address environmental aspects.
- Promoting the transition towards green transport through the development of the public and smart transport sector, as the use of public transport is an effective way to reduce the movement of vehicles, thus reducing traffic congestion and emissions resulting from vehicles. This requires policies or legislation that enable municipal-level transportation systems to switch to electric public transport models.

- Encouraging the adoption of electric buses in the public transport sector, as it is applied in many countries of the world.
- Collaborating with private sector institutions and foreign investors to build an extensive network of fast-charging and convenient electric vehicle charging stations to promote the adoption of electric vehicles.
- Encouraging private sector investment in electric vehicle infrastructure, such as charging stations, fast-charging networks, and battery replacement facilities, and providing incentives and support to attract private sector investors.
- Developing national and regional standards for charging station infrastructure, particularly for charging points deployed in public transport systems.
- Strengthening legal measures that limit unlicensed cars and passenger-transporting by private vehicles and enacting strict laws on winter examination and carbon monoxide emissions. In addition to following up the work of car slaughterhouses, installation shops, and illegal spare parts, especially in area “B”.
- Encouraging the recycling of vehicle waste, especially damaged tires (caoutchouc and plastic), which are considered one of the main soil pollutants as they are made of rubber, and when burned, they enhance carbon dioxide emissions and other hazardous gases.

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Discussant Comments: Jeffrey Sachs

Let me focus on what I regard as the main issue at stake in any discussion of the Palestinian economy. The main issue is to build a basic state structure for Palestine, to build the economic framework for sovereign state of Palestine and to think about precisely what those tasks are in the next five years. I expect there to be a sovereign state of Palestine in the coming year. I'll be very optimistic. We are one veto away. The matter is for the regional powers of the Middle East to explain to President Trump and to the US government that the entire world believes in there being two states side by side on the borders of 4 June 1967, and that the US is the only obstacle to that.

The US vetoed Palestine's membership in the UN General Assembly and it vetoed it through the vote in the UN Security Council. Council. And I regard the first task of state building for Palestine to be admitted to the UN as the 194th UN member state. And this means basically ending the US veto. A recent vote in the UN General assembly had 170 countries expressing support for a state of Palestine in the two-state solution. The US is the only practical barrier to this. Now all the rest of my remarks are presuming that we can overcome that barrier. Then comes the question of what we actually mean by a functional state.

I regard a functional state of Palestine as being completely separate from Israel in all regards. So, I view the strategic issue for Palestine as separation from Israel. Maybe someday there can be normal good relations of neighbors, as should be true. But Israel should have nothing to do with the collection of taxes, with the payments, with currency, with banking, with trade, with international transactions. Otherwise, Palestine just remains at most a rump vassal of the United States and Israel in that way. And so, I think that the strategy needs to be to create a political entity with a viable state structure that is completely independent of Israel in all essential state matters. It is essential that the West Bank have normal transport linkage with Gaza Strip and with the Mediterranean coast.

This is a sine qua non of a viable state. There can be no viable state of the West Bank by itself. There certainly cannot be a viable Gaza by itself, nor can the entities of the West Bank, East Jerusalem and Gaza be physically separated from each other in a viable state. So the next point, the first point is borders, that the state of Palestine has control over its borders. The second is the contiguity of transport. Whether that's a corridor, whether it is a land swap, how it is to be brought about is a central question for the UN Security Council and needs to be recognized as absolutely crucial.

A third point about state building is the role of Palestinian expatriates, because the Palestinian diaspora is very large and it's extremely talented, and it is filled with professionals who have bank balances and ability to fund startup businesses, housing and other activities. I hope that statehood will include all the expats automatically. But I think that this also needs to be understood. A lot of Palestinian expats, because of the history of the last 75 years, will have lives in which they're living part time in the Gulf, or part time in the United States or part time in Europe and part time in Palestine. And the state strategy should facilitate that kind of life in a routine way.

The next on my list is everything about finance, which is really the hard work of the next two or three years. There needs to be a national budget, there needs to be tax revenues. There needs

to be a national money supply and there needs to be banking. And all of these open up many strategic considerations, especially because of the grip of the US on international banking. I think care should be taken that the Palestinian state is not completely vulnerable and subservient to US financial sanctions in its banking and its monetary sector. These are delicate issues to discuss, but I think setting up a true independent fiscal policy and a true national currency and a true banking sector that is completely independent of Israeli banks and that is not solely reliant on SWIFT and the US banking system is very important.

The next item on my list is the ports and the airports. Clearly Palestine cannot rely on Tel Aviv as the international airport, nor on Israeli ports. So there needs to be port services that are independent. There need to be air corridors, there needs to be access to Jordan's airports as well as an airport for Palestine. And I don't know how to do that, but it's also extremely important. There need to be trade linkages, transport linkages, of course, Gaza with Egypt and of the West Bank and East Jerusalem with Jordan, and more broadly, transport linkages with the Middle East. The provision of basic infrastructure will be for the next 10 years probably the most central task of government.

Ensuring access to safe water and sewerage, to power, to digital access, to public transport, to housing and to waste management is a large investment program. Of course, Israel has destroyed much or all of this in Gaza and has undermined or or destroyed it in the West Bank as well. But that is the public investment side. Creating public institutions that can finance this infrastructure and linking these institutions with Middle East financing, whether it's the capital markets in the Gulf or regional Development Banks or other modes of finance, will be the essence of the public investment strategy. Of course, there needs to be a public service strategy as well. Education and public health are the two most important services that need attending. So all of this state building is at least a 5-10 year effort as the highest priority, both tactically and strategically. Understanding how this will work in relations with Israel, with the EU, with the United States, with the Arab states and with the BRICS is fundamental.

My own view is that Palestine should not aim to piggyback on or leverage or even assume connections with Israeli institutions. I don't believe that there can be trust or security to do that. As many of you know, I am a great skeptic of US foreign policy, which I think has done profound damage to the Middle East since 1945. And it carried on the wonderful tradition of Britain which destroyed the Middle East before that. So, I don't think that the World Bank or the US government and so forth as being the main agents of reconstruction. To my mind, the Arab neighbors are the most important by far.

This is an Arab problem, it seems to me, beyond anything else. The Islamic Development Bank for example needs to be much larger in general but should play a consequential institutional role. The BRICS have a major role to play. Egypt is now a member of the BRICS. The UAE is a member of the BRICS. Iran is a member of the BRICS. And I would hope, hope that the state of Palestine becomes a partner of the BRICS sooner rather than later.

So, it's fine to talk about long term growth and green and everything else, but the fact of the matter is the primary activity right now is basic state building. After 75 years of, of wars, genocide, displacement and after 100 years of manipulation by the Western countries, it's time to build a real sovereign and secure state of Palestine.