



MAS

PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

## May 2025

### Key Messages :

- While the EU and UK reaffirm their commitment to support the continued operation of the PA, Israel continues to escalate fiscal pressure, threatening further deductions and enacting laws that could push the Palestinian treasury toward bankruptcy by holding it accountable for obligations far beyond its structurally constrained authority.
- SADAD GATE represents the latest step in the PMA's ongoing push to expand digital banking infrastructure, providing merchants and online businesses with an official portal for digital payments. While digital banking usage has grown significantly, the adoption of digital payments in everyday commercial transactions remains limited.
- The newly approved Competition and Anti-Monopoly Law establishes a legal framework to promote market fairness, prevent monopolistic practices, and curb economic manipulation.

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## 1. EU and UK Pledge Crucial Financial Support to the PA

Amid the ongoing war on Gaza and the deepening fiscal crisis facing the Palestinian National Authority (PA), the European Union (EU) and the United Kingdom (UK) have reaffirmed their commitment to supporting Palestinian governance, economic resilience, and humanitarian relief.

### 1.1 EU €1.6bn Assistance Package

On April 14, 2025, during the first EU-PA High-Level Political Dialogue in Luxembourg, the European Commission announced a €1.6bn Comprehensive Support Programme (CSP) for 2025–2027.<sup>1</sup> This includes an annual allocation of €82m to UNRWA (€246m over three years) to sustain essential services for Palestinian refugees. The initiative aims to reinforce financial sustainability, institutional reform, and socio-economic recovery in the occupied Palestinian territory (oPt) amid escalating fiscal and humanitarian pressures.<sup>2</sup>

Of the total three-year package of support to the PA (€1.35 bn), approximately half (€620m) will be disbursed as direct budgetary support via the EU's PEGASE mechanism.<sup>3</sup> These funds will help sustain PA's ability to cover expenditures on public employees' salaries and pensions, and social welfare payments, conditional on verified reform milestones, intended to enhance transparency, governance, and public service delivery. The remaining funds will support sectorial and private sector resilience development projects across the West Bank, East Jerusalem, and Gaza. Specifically, €576m will support economic recovery across the oPt, contingent on the cessation of hostilities and

unrestricted humanitarian access. In addition to these grants, the European Investment Bank (EIB) will offer up to €400m in loans to strengthen the Palestinian private sector, particularly supporting MSMEs in Area C, East Jerusalem, and Gaza, once conditions on the ground permit.<sup>4</sup>

The CSP builds on a mid-2024 Letter of Intent between the EU and the Government of Dr. Mohammad Mustafa, which included €400m in emergency assistance disbursed between July 2024 and February 2025 to help the PA meet urgent fiscal obligations.<sup>5</sup> These disbursements were linked to a jointly agreed Reform Matrix focused on fiscal sustainability, governance, private sector development, and infrastructure. While comprehensive assessments of reform progress are not public, the PA has initiated several measures, including the reform of the payments programme to Palestinian prisoners, aimed at improving international relations and the ability to deal financially with the PA.<sup>6</sup>

The EU will launch a "Palestine Donor Platform" under the new support programme to coordinate donor efforts and ensure accountability.<sup>7</sup> This mechanism will monitor reform progress, align donor contributions, and shape future engagement in Gaza. The EU remains the largest external donor to the Palestinians, having allocated approximately €1.36bn between 2021 and 2024, of which over €1.043bn has already been committed.

### 1.2 UK Support

On 28 April 2025, Palestinian Prime Minister Mohammad Mustafa and UK

<sup>1</sup> [High-Level Political Dialogue between the European Union](#)

<sup>2</sup> [EU announces \\$1.8 billion aid package for PA - AP News](#)

<sup>3</sup> PEGASE, the EU's funding mechanism to support the Palestinian people, was launched in February 2008. It is accompanied by a policy dialogue aimed at promoting reforms through an incentive-based framework, which links part of the assistance to progress in key sectors.

<sup>4</sup> [The EU and PA convene Investment Platform - EEAS](#)

<sup>5</sup> For further details, see MAS PEUs No. 10, 11, and 17.

<sup>6</sup> [EU disburses third instalment of the emergency package - EC](#)

<sup>7</sup> [The EC and the PA agree on emergency financial support - EC](#)

Foreign Secretary David Lammy signed a Memorandum of Understanding (MoU) establishing a new framework to strengthen bilateral cooperation in economic development, trade, and security.<sup>8</sup> The MoU reaffirms both parties' commitment to a two-state solution, underscores the legitimacy of the PA as the governing body in the oPt, and calls for the reunification of Gaza and the West Bank under PA authority. It also affirms the PA's commitment to prioritising reforms. This marks the first visit by a Palestinian prime minister to the UK since 2021.

Alongside the MoU, the UK announced a new £101m aid package for the 2025/26 fiscal year to support humanitarian relief, economic recovery, and governance reforms in the oPt.<sup>9</sup> This pledge is separate from previous aid packages but reflects a broader trajectory of increased UK support. In 2023/24, the UK allocated over £100m to the oPt, including £35m to UNRWA (before funding was temporarily suspended in early 2024), up from £42m in 2023 and £22.5m in 2022.<sup>10</sup> For 2024/25, the UK committed £129m, which included £17m in humanitarian assistance for Gaza (announced in January 2025), £10m through the World Bank to support PA salaries and services, and additional allocations to UNICEF and UNRWA, including £34m disbursed in July and December 2024.<sup>11</sup>

The newly announced aid package reflects fresh political engagement with the PA and follows high-level international concern with the situation in Gaza, Israeli military operations in the West Bank, and adherence to international humanitarian law. Both governments stressed the urgent need to unblock Palestinian clearance revenues withheld by Israel.

Roughly half of UK aid to the oPt is channelled through UNRWA rather than local authorities or civil society organisations. Following a temporary suspension in early 2024, the UK resumed UNRWA funding after the publication of the Colonna Review and confirmation of the agency's compliance with neutrality reforms.<sup>12</sup>

### 1.3 Entrenched Fiscal Crisis

The PA remains in deep fiscal crisis, marked by ballooning deficits, rising arrears, and increasingly aggressive Israeli deductions from clearance revenues. The PA ended 2024 with a financing gap of NIS 4.8 billion, projected to widen to NIS 6.9bn in 2025.<sup>13</sup> This has impeded its ability to meet core obligations. The PA has been paying partial and late salaries since 2021, with only 70% of February salaries paid in April, with a floor of NIS 3,500 per employee.<sup>14</sup> Arrears (including unpaid public salary deductions) have surged to NIS 16.29bn by March 2025, with over NIS 1bn owed to pharmaceutical suppliers alone, triggering acute medicine shortages.<sup>15</sup>

Compounding this crisis are rising Israeli deductions from PA clearance revenues.<sup>16</sup> Since 2019, Israel has withheld over NIS 7.26 billion, including NIS 3.54bn for stipends to prisoners' families, NIS 2.83bn for PA spending in Gaza, and over NIS 900m in exit tax revenues.<sup>17</sup> Between 2012 and August 2024, an additional NIS 20.2bn was offset as net lending, mostly to cover utility bills not paid by Palestinian distributors. Israeli officials and cabinet members have for years sought to expand the scope of deductions to include costs such as detainee medical care, West Bank traffic fines, civil damages, and,

<sup>8</sup> [Palestinian Authority and UK strengthen ties to continue work](#)

<sup>9</sup> [Palestinian Authority and UK strengthen ties to continue work](#)

<sup>10</sup> [UNRWA and UK aid to the West Bank and Gaza Strip 2023-25](#)

<sup>11</sup> [New humanitarian support for Gaza as ceasefire allows operations](#)

<sup>12</sup> [UNRWA and UK aid to the West Bank and Gaza Strip 2023-25](#)

<sup>13</sup> [https://mas.ps/cached\\_uploads/download/2025/04/03/](https://mas.ps/cached_uploads/download/2025/04/03/)

<sup>14</sup> <https://www.bnews.ps/index.php/ar/node/24972>

<sup>15</sup> <https://www.aliqtisadi.ps/ar/Article/103872>

<sup>16</sup> For more detailed background on historical deductions and earlier fiscal developments, see MAS PEU No.17 (April 2025).

<sup>17</sup> <https://english.wafa.ps/Pages/Details/149160>

most severely, court-ordered compensation of up to NIS 10m per fatality and NIS 5m per injury, a measure ratified into Israeli law in 2024 and implemented in 2025.<sup>18</sup> More recently, public discourse in Israel has raised the possibility of legislative proposals to expand deduction measures to include donor funds earmarked for Palestinian land registration in Area C.<sup>19</sup>

Escalating Israeli deductions drove monthly clearance transfers down from NIS 1bn in late 2023 to just NIS 250m by March 2025, leaving the PA with dangerously low liquidity to fund salaries, social protection, and basic services.<sup>20</sup>

## 2. SADAD GATE

On April 15, 2025, the Palestine Monetary Authority (PMA) launched SADAD GATE, a new electronic payment gateway designed to strengthen Palestine's digital payment infrastructure and support the growth of e-commerce.<sup>21</sup> The service allows customers to complete transactions and pay for goods and services via company apps and websites that use electronic payment methods, commission-free and within a secure digital environment, according to the PMA. This initiative builds on PMA's broader digital transformation and financial inclusion agenda, accelerated in the wake of the COVID-19 pandemic. It complements existing services such as E-SADAD, which enables electronic bill payments, and IBURAQ, which allows instant money transfers between banks and e-wallets.<sup>22</sup>

According to the PMA, SADAD GATE offers seamless integration with existing financial systems, requiring minimal technical

adaptation. It aims to simplify and accelerate payment processes for both consumers and digital businesses. The service also provides technical support and generates comprehensive transaction reports to help enterprises monitor performance and make data-driven decisions.

To ensure consumer protection and high service standards, the PMA mandates that all SADAD GATE users comply with strict technical and regulatory requirements. These include mandatory registration on the E-SADAD platform, adherence to interconnection protocols, and implementation of robust data security measures. Before granting approval, the Palestinian Payment Services Company (PPSC) evaluates all subscription applications based on specific, pre-defined criteria.

The launch aligns with the draft E-Commerce Law, which designates the PMA as the authority responsible for approving electronic payment methods (Article 1).<sup>23</sup> SADAD GATE represents a practical application of this legislation, supporting the development of a regulated and sustainable e-commerce ecosystem (Article 2, Clause 6).

In line with its broader digitalization strategy, the PMA also launched PMACHAT, an interactive digital platform to enhance communication with citizens and institutions.<sup>24</sup> PMACHAT offers fast, flexible access to PMA services, including complaints, inquiries, and suggestions, within a secure, user-friendly digital environment that upholds high privacy standards.

### 2.1 Lagging Growth in Electronic Payment Adoption

Despite the rapid expansion of electronic payment methods in Palestine and a growing

<sup>18</sup> [Israeli Legislation and Clearance Deductions/Madar](https://www.wafa.ps/Pages/Details/119109)  
<https://www.wafa.ps/Pages/Details/119109>

<sup>19</sup> [Israeli cabinet approves a decision to seize land in Area C](https://www.wafa.ps/Pages/Details/119109)  
<https://www.wafa.ps/Pages/Details/119109>

<sup>20</sup> [PMA Launches SADAD GATE](https://www.wafa.ps/Pages/Details/119109)

<sup>21</sup> [PMA Launches E-SADAD ; PMA Launches IBURAQ](https://www.wafa.ps/Pages/Details/119109)  
[E-payments as a Pathway to Growth - WBG](https://www.wafa.ps/Pages/Details/119109)

<sup>23</sup> [E-commerce Draft Law - MoNE](https://www.wafa.ps/Pages/Details/119109)

<sup>24</sup> [PMA Launches PMACHAT](https://www.wafa.ps/Pages/Details/119109)



number of users, citizens' engagement with these tools for online shopping (e-commerce) remains limited. While the digital payment infrastructure is advancing, consumer behaviour has not kept pace, particularly in online purchases.

By the end of September 2024, the total value of financial transactions conducted via smartphone banking applications reached approximately \$3.7 billion, a 123% increase over 2021 and ten times the value recorded in 2019.<sup>25</sup> The number of transactions also surged, rising from 1.23m in 2019 and 4.74m in 2021 to 6.52m in 2024. Nonetheless, as of September 2024, the volume of electronic transactions had not yet surpassed the 2022 peak of 7.68m, following a decline to 6.98m in 2023. However, the rising total value of transactions suggests an increase in the average value per transaction, likely driven by improvements in digital banking infrastructure and accessibility. It also reflects greater public confidence in digital banking, especially under ongoing economic and political hardships.

It is also important to note that the increase in digital banking usage has not translated into a corresponding rise in online shopping activity. According to the 2023 ICT Household Survey by the Palestinian Central Bureau of Statistics (PCBS), only 13.8% of individuals aged 18 and above reported using the internet to purchase goods and services, a 70.3% increase since 2019, yet still a modest figure relative to overall internet penetration.<sup>26</sup> Moreover, most online shoppers rely on cash-on-delivery, as 97.5% paid in cash upon receiving their goods. Just 3.1% used credit cards, 2.2% paid via debit cards or bank transfers, and

only 1% used online payment services like PayPal. These numbers underscore the persistently low adoption of electronic payments for e-commerce.

Several factors contribute to this reluctance: limited merchant acceptance of digital payments, lack of incentives for small businesses to integrate these systems, and widespread consumer distrust of paying before inspecting goods.<sup>27</sup> Many buyers prefer the security of an in-person receipt, especially given concerns over quality, fraud, and weak consumer protection mechanisms in the digital market.

However, the recent launch of SADAD GATE and the anticipated enactment of the new E-Commerce Law may help accelerate adoption by providing a regulated, secure framework for digital transactions and incentivizing broader merchant participation in online payment systems.

## 2.2 Escalating Cash Crisis in Gaza

On April 24, the Euro-Mediterranean Human Rights Monitor highlighted deep concern over the escalating cash crisis in the Gaza Strip.<sup>28</sup> Israel has not only blocked the entry of cash into the Strip since the start of the war, but has also directly targeted and destroyed bank branches and ATMs. These actions have forced the majority of financial institutions to shut down entirely and led to an acute shortage of cash in local markets, contributing to a catastrophic and rapidly deteriorating humanitarian and economic situation.

According to a recent World Bank report, Israeli military operations have destroyed 33 bank branches and partially damaged 19 more, out of a total of 57 branches operating in

<sup>25</sup> Electronic financial transactions include transfers between banks and e-wallets, as well as digital payments for bills, fees, and instalments related to services provided by private companies, government agencies, local authorities, universities, and other institutions; <https://www.aliqtisadi.ps/ar/Article/103871>

<sup>26</sup> <https://www.pcbs.gov.ps/Downloads/book2696.pdf>

<sup>27</sup> [Digital Payments in Palestinian Institution - PBF](https://www.bnews.ps/ar/node/18288)  
<https://www.bnews.ps/ar/node/18288>

<sup>28</sup> <https://euromedmonitor.org/ar/article/6692/>

Gaza before the war.<sup>29</sup> With banking services, such as cash withdrawals and deposits, almost entirely paralyzed, residents have been pushed to rely on the black market to access cash. These informal channels charge exorbitant commissions, further depleting the already limited resources of Gaza's population. Workers, business owners, and families who depend on remittances from abroad now have no access to cash except through unregulated networks operated by merchants and currency exchange dealers who monopolize liquidity and exploit public desperation. In the absence of any oversight or accountability, caused by Israel's dismantling of Gaza's legal and security institutions, some dealers reportedly deduct up to 35% from the total amount of transactions.<sup>30</sup>

In response, the PMA has continued to promote electronic payment systems via banking apps and digital wallets to alleviate the crisis. However, persistent power outages and poor internet connectivity have severely limited the functionality of these digital services and hindered the completion of financial transactions. These compounding challenges have made it increasingly difficult for citizens to use electronic payment methods in daily transactions. Furthermore, in many cases, merchants charge illegally inflated commissions ranging between 20% and 30% on digital payments, exploiting the cash shortage.<sup>31</sup> This occurs even though electronic payment services are officially provided to users free of charge, except in limited cases where small fees may apply, depending on the type of credit card used and the terms of agreements between clients and their banks.

### 3. Competition and Anti-Monopoly Law

On April 29, the Palestinian President approved a decree-law on competition and anti-monopoly, based on a draft submitted

by the Palestinian Council of Ministers.<sup>32</sup> The primary objective is to promote free competition in the exchange of goods and services and to prohibit practices that restrict or distort competition in the local market. To achieve this, the law introduces a set of legal and administrative mechanisms to correct market failures and address anti-competitive behaviour. It encourages fair competition among enterprises, fosters an open investment environment, and prevents monopolistic practices and market exclusion. This step follows over two decades of preparation and deliberation on previous versions of the law.

The law's enactment establishes a legal reference for regulating competition in the Palestinian market. Minister of National Economy Mohammed Al-Amour described the law as a strategic move toward developing a local economy grounded in transparency, economic freedom, and equal opportunity.<sup>33</sup> The Palestinian Society for Consumer Protection (PSCP) also praised the law, having long advocated for its adoption due to its relevance in defending consumer rights.<sup>34</sup> Its president, Salah Hanieh, emphasized that the law would help combat long-standing monopolistic practices in essential goods and open the market to new investors by ensuring fair competition. According to World Bank data, the oPt scored 25.29 on a 100-point competitiveness index, compared to 52.23 in Bosnia and Herzegovina and 58.14 in Morocco.<sup>35</sup> In the long term, and normal market conditions, the law could improve these indicators if implemented effectively and complemented by supportive institutional and regulatory reforms, including a competition policy, which remains absent.

29 [IMPACTS OF THE CONFLICT IN THE MIDDLE EAST ON](https://euromedmonitor.org/ar/article/6692/)

30 <https://euromedmonitor.org/ar/article/6692/>

31 <https://www.palestineconomy.ps/ar/Article/23296>

32 <https://www.wafa.ps/Pages/Details/120140>

33 <https://www.wafa.ps/Pages/Details/120175>

34 <https://www.al-ayyam.ps/ar/Article/413765/>

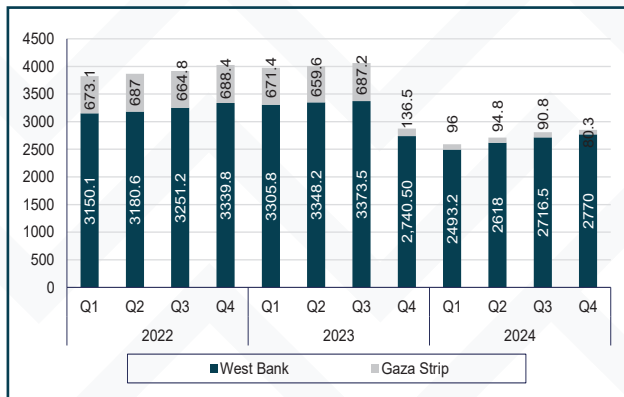
35 <https://www.worldbank.org/en/businessready/topic/market-competition>; The index does not cover all countries.

## 4. April Trading Activity

The AI-Quds Index fell 1.6% in April 2025, closing at 488 points on the final trading day.<sup>36</sup> Trading activity declined significantly, with 10.5m shares exchanged at a total value of \$15.7m, down 30.2% in volume and 24.7% in value compared to March.

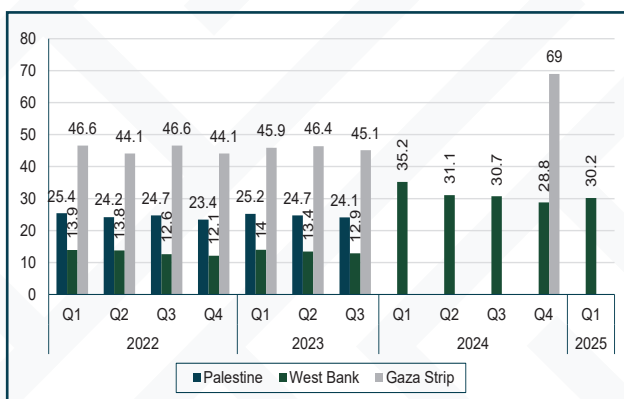
## Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region**  
Q1 2022 - Q4 2024



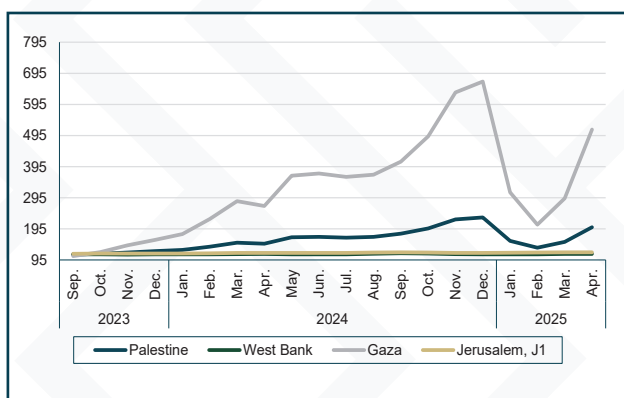
## Unemployment

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



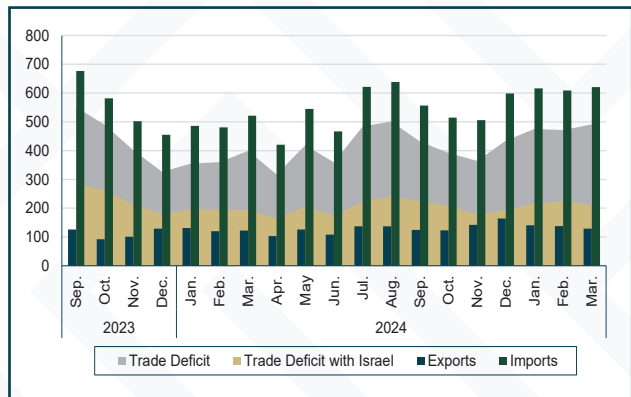
## Inflation

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



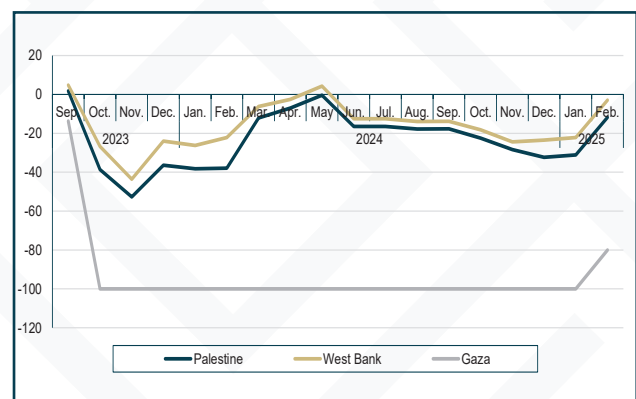
## Trade

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



## PMA Business Cycle Index

**Monthly Palestine Monetary Authority Business Cycle Index**  
September 2023 - April 2025



## Banking

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

