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سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY



هيئة سوق رأس المال
Capital Market Authority



Palestinian Central
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September 2026

Foreword

A Familiar Picture on the Ground

Accumulated Losses

Time marched forward, yet the landscape of 2025 remained entirely unchanged from the bleak political, economic, and social landscape that prevailed in the previous year in the occupied Palestinian Territory. Although the final quarter of this year saw the announcement of a ceasefire, the human, economic, and material devastation inflicted on the Gaza Strip throughout the year exceeded the limits of documentation and assessment. In the West Bank, restrictions on movement between various governorates were further tightened, with hundreds of checkpoints and barriers erected and unbridled settlement expansion. Compounding this harsh situation was the ongoing severe financial crisis gripping the Palestinian government following the continued withholding of clearance tax revenues since the middle of the year. In light of these developments, the outlook points to further tightening of constraints on economic activity, deepening structural imbalances in the local economy, and a continued decline in incomes, alongside a widening gap between earnings and the cost of living.

In this issue:

The first section of this issue covers economic developments during the fourth quarter and throughout 2025. Annual data show that despite signs of a partial recovery in demand and production during 2025 compared with 2024, both remained below their levels registered in the pre-war period. This downturn was accompanied by an upsurge in unemployment and inflation rates, reversing the relatively stable trajectories they had followed in previous years. The most significant economic developments can be summarized as follows:

- **Gross Domestic Product (GDP):** GDP posted 4.3% growth in 2025 compared with 2024, reaching US \$12,462.9 million. The GDP growth was distributed unevenly; it increased by 3.4% in the West Bank and by 34.2% in the Gaza Strip.
- **Employment and Unemployment:** The average unemployment rate in the West Bank amounted to 28.7% in 2025, declining by 2.8 percentage points from 2024, but remaining 10.3 percentage points higher than in 2023. The average daily wage for workers in the West Bank stood at approximately NIS 136.5. Meanwhile, paid employees in the private sector who paid less than the minimum wage accounted for 16% of the total.
- **Public Finance:** Net public revenues and grants collected in 2025 amounted to approximately NIS 11.2 billion, compared with NIS 11.7 billion in the previous year. Public expenditures declined by 10.2% over the same period, reaching approximately NIS 12.9 billion (on a cash basis). Total deficit before grants and aid (on a commitment basis) amounted to roughly NIS 3.6 billion during the same year. However, this balance does not fully reflect the actual fiscal position of the Palestinian government given the ongoing withholding by Israel and deductions from clearance tax revenues. Data indicate that accrued financial obligations amounted to approximately NIS 18.8 billion, and US dollar-denominated public debt rose by 13.9% compared with the previous year, reaching approximately US \$4.8 billion.
- **Banking Sector:** Credit facilities rose by 5.4% in 2025 compared with the previous year, reaching approximately US \$12.6 billion. A total of 26.6% of credit facilities were provided to the public sector. Customer deposits increased markedly by 16.4% in 2025 compared with the previous year, reaching roughly US \$21.9 billion. Bank profits reached US \$132.8 million in 2025, up from US \$43.1 million in the previous year.
- **Palestine Exchange:** The market capitalization of listed companies on the Palestine Exchange reached US \$4.9 billion at the end of 2025, increasing by 21% compared with the previous year. Al-Quds Index closed at 619.66 points, marking a notable 24.4% increase compared with the previous year.
- **Inflation and Prices:** The inflation rate in the Palestinian Territory rose by 10.5% in 2025 compared with 2024. Consequently, the purchasing power of individuals earning and spending their income in Shekels declined by the same rate throughout 2024-2025. The purchasing power of individuals paid in US dollars and Jordanian dinars and spending in Shekels also dropped by approximately 17.3% in 2025 compared with the previous year. Such a drop was attributable to the 6.8% depreciation of the US dollar against the Shekel and rising inflation rates.

The second section of this issue addresses key economic and local developments in five boxes. The first box examines a study published in the quarterly peer-reviewed journal “*Omran*,” published by the Arab

Centre for Research and Policy Studies, and titled “The Timeline, Components, and Governing Structure of Israel’s West Bank Settlement Project.” The box is organized into three main themes. The first theme offers a historical overview of the development of settlement activity in the West Bank. The second theme examines the components of the settlement project. The third addresses the bureaucratic structure of Israeli actors managing the settlement project.

The second box addresses rising women’s participation in the Palestinian labour market. It shows how female labour force participation rates in Palestine have displayed a gradual upward trend over recent decades. Nevertheless, despite this progress, it should be noted that women’s participation rates remain below both regional and global levels. The third box sums up the key findings of the roundtable discussion convened by MAS on the issue of economic and social rights in the Draft Interim Constitution of the State of Palestine.

The fourth box examines the impact of the depreciation of the US dollar on the Palestinian economy, alongside the impacts of the appreciation of the Shekel on the Israeli economy. It also tackles the growing threat resulting from the potential loss by the US dollar of its dominance as the premier international hard currency, and the implications of the rise of alternative currencies competing with the US dollar in international trade financing, global financial transactions, and the accumulation of reserves by central banks.

Titled “The World Bank and the Board of Peace,” the fifth and final box sums up the main findings of the meeting between the World Bank (WB) representative and a host of Palestinian businessmen and academics. In his intervention, the WB representative presented on the role the WB has played and continues to play in financing development projects in Palestine, as well as the relationship between the WB and the Board of Peace (BoP).

In conclusion, MAS likes to extend gratitude to its three partners for their efforts in developing and supporting the Economic Monitor, as well as to the research team for their dedicated efforts. MAS would like to especially commend Dr Numan Kanafani for his substantial contributions to elevating the Economic Monitor’s stature, cementing its scholarly impact within the research and academic community.

Palestine Economic Policy Research Institute (MAS)

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Part One: Fourth Quarter 2025

1. Gross Domestic Product¹

Fourth Quarter 2025

- Quarterly data indicate general trends towards improvement in Palestine's Gross Domestic Product (GDP) during the fourth quarter of 2025 compared with the exceptionally low levels recorded in the previous and the corresponding quarter. The GDP, at constant prices, registered an average growth of 3.7 % compared with the previous quarter of 2024 and by 3.2% compared with Q4 2024, reaching USD 3,215.1 million. Despite this relative improvement, GDP remains lower than its pre-Gaza War level.
- Although the first phase of the Gaza ceasefire agreement came into force during the last quarter of 2025, the GDP growth recorded in the fourth quarter, driven mainly by the unprecedented decline in the preceding period, was not expected to be sustainable. This is attributed to the ongoing displacement and destruction in the Gaza Strip, as well as the ongoing restrictions on movement, trade, and the exploitation of natural resources in the West Bank. This is also attributed to the fact that economic performance remains tied to volatile external factors, such as the transfers of Palestinian clearance tax revenues, and the decline in international aid as well as in the remittances from Palestinian workers in Israel. All of this constrains any prospects for sustainable economic recovery. As a result, the profound socio-economic repercussions of the war will continue to threaten the sources of livelihoods for Palestinian households and drive more of them below the poverty line.
- At the regional level, the entry into force of the Gaza ceasefire agreement and the ensuing easing of restrictions on the entry of goods, fuel, and humanitarian aid into the Strip led to a marked increase in GDP during the fourth quarter of 2025. The value of GDP in Gaza doubled compared with both the previous and the corresponding quarters (also as a direct result of the unprecedented decline in the GDP value in earlier periods). In the West Bank, GDP recorded modest average growth of 0.4% in Q4 2025. It also grew modestly at an average rate of 0.2% compared with the previous and corresponding quarters, respectively. GDP growth in the Gaza Strip raised its share of total Palestine GDP to around 5.5%.
- GDP per capita in the Gaza Strip increased to USD 76.3 in the fourth quarter of 2025, compared with USD 35.5 in the corresponding quarter. In the West Bank, the slowdown in economic performance resulted in a decline in GDP per capita from USD 1,002.5 in Q4 2024 to USD 983.1 in Q4 2025.
- GDP is viewed from two sides: the gross production value (value added) across different economic sectors, or the total expenditure on goods and services. On the production (value added) side, the value added of several economic activities declined. The largest decline in Q4 2025 compared with the corresponding quarter of 2024 was recorded in transportation and storage (down by 11.4%), followed by construction (down by 10.0%), financial and insurance activities (down by 4.6%), and agriculture (down by 3.7%). In contrast, some economic activities recorded growth in value added, with information and communications registering the highest growth rate of 12.0%, followed by service activities, which grew by 10.9%. The industry activity and the public administration and defense activity grew by 5.8% and 2.1%, respectively, during the same period.
- In terms of the expenditure estimates of GDP, private consumption recorded a notable increase of 9.7% in the fourth quarter of 2025 compared with the corresponding quarter. Investment and imports also grew by 2.3% and 6.9%, respectively. Meanwhile, both public expenditure and exports declined by 8.5% and 3.0%, respectively, during the same period.

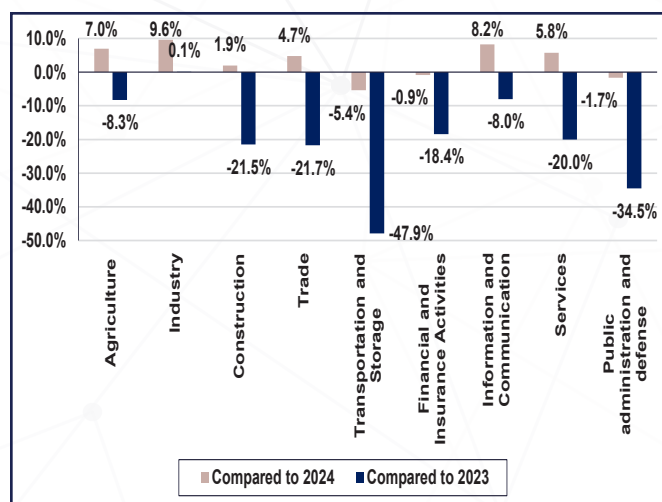
Year 2025

- Annual national accounts data for the Palestinian Territory show signs of partial recovery, as GDP grew by 4.3% in 2025 compared with 2024, reaching USD 12,462.9 million (bearing in mind that this growth is primarily attributable to the unprecedentedly low base figures against which the comparison is made). This growth accounted for 3.4% in the West Bank and 34.2% in the Gaza Strip, coinciding with an easing of restrictions on the entry of basic goods after the ceasefire agreement went into effect. Despite this partial improvement in economic performance, GDP levels remain below those recorded in the years preceding the war, as shown in Table 1.
- On the production side (value added), most productive activities recorded improvement, as shown in Figure 1, except for transportation and storage, financial activities, insurance activities, and public administration and defense. The industry sector recorded the largest increase (9.6%), followed by information and communications (8.2%), agriculture (7.0%), and service activities (5.8%). On the other hand, when comparing changes in productive and service sectors in 2025 with those recorded in 2023, one observes a marked decline across all economic activities. This is indicative of the profound adverse effects that war inflicted on Palestinian economic performance and highlights how difficult the recovery of the local economy is.

¹ Source: The Palestinian Central Bureau of Statistics (PCBS). (2026). Quarterly National Accounts Variables in Palestine, 2000-2025, Ramallah, Palestine.

- On the expenditure side, as shown in Table 1, private consumption rose by 6.8% in 2025 compared with the previous year, while investment rose by 4.6%. Meanwhile, public expenditure declined by 7.75% amid the continued withholding of clearance tax revenues. In addition, both exports and imports declined by 8.3% and 0.2%, respectively, during the same period. The figures indicate that the Palestinian economy used resources for consumption and investment purposes that exceeded domestically produced output by approximately 32% in 2025 (54% when exports are included). This ratio remained unchanged from the previous year.
- Figure 2 illustrates the sharp volatility in annual economic growth rates. Such volatility is mainly attributable to the fact that the factors affecting economic performance in Palestine are external and themselves highly volatile (such as the transfers of clearance tax revenues, international aid flows, and remittances from Palestinian workers in Israel). Both the transfers of clearance tax revenues and the remittances of Palestinian workers employed in Israel declined sharply from their pre-war levels, amid the continued withholding of the clearance tax revenues by the Israeli side since June 2025, as well as barring thousands of Palestinian workers from entry into the Israeli labour market. Figure 2 also illustrates that

Figure 1: Change in Value Added in the Activities Constituting GDP (in constant prices, base year 2015) during 2025 compared with 2024 and 2023 (%)

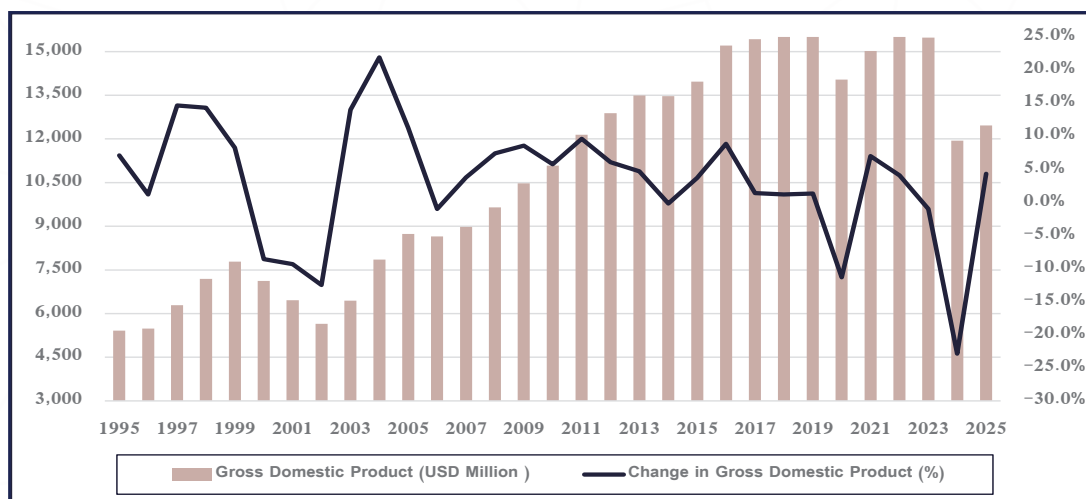


GDP levels during the war years of 2024 and 2025 remain below the GDP level recorded in 2012. This indicates that Israel's recent genocidal wars on Gaza and intensified restrictions have effectively undone all development gains (already modest to begin with) achieved up to 2012.

Table 1: Main National Accounts Variables in Palestine during 2020–2025 (Constant Prices, USD Million)

Variable	2020	2021	2022	2023	2024	2025
GDP	14,037.4	15,021.7	15,635.0	15,483.0	11,944.0	12,462.9
Net factor income from abroad	1,995.3	2,691.4	3,226.0	2,549.0	667.7	789.5
- Net Compensation of Employees	1,943.9	2,591.0	3,105.5	2,335.1	393.9	515.4
- Net Property Income	51.4	100.4	120.5	213.9	273.8	274.1
Gross National Income (GNI)	16,032.7	17,713.1	18,861.0	18,032.0	12,611.7	13,252.4
- Net Transfers from Abroad	1,140.5	1,269.3	1,785.7	1,562.2	1,022.8	1,152.9
Gross National Disposable Income (GNDI)	17,173.2	18,982.4	20,646.7	19,594.2	13,634.5	14,405.3

Figure 2: Real GDP Growth Rates and Values (in constant prices, base year 2015) during 1995–2025 (annual change compared with the previous year, %)



- Figure 3 illustrates the shrinking contribution of the Gaza Strip to Palestine's GDP over the past three decades, and the ensuing widening gap between the West Bank and the Gaza Strip in terms of their contribution to the domestic economy. The Gaza Strip's contribution to the Palestinian economy declined from approximately 37.6% in 1994 to approximately 3.9% by the end of 2025. This decline is attributed to the slowdown and volatility in economic growth rates in the Strip, particularly in the wake of the intensified Israeli blockade in place since 2006. In addition, real GDP per capita in the Gaza Strip eroded substantially between 1994 and 2025, resulting in a widening gap between the West Bank and Gaza in their contribution to the overall economy. This widening of such a gap has reflected in a growing disparity in GDP per capita, with GDP per capita in the Gaza Strip by the end of 2025 falling to less than 6% of its level in the West Bank, compared with a relatively narrow gap nearly three decades earlier (see Figure 4).
- Investment accounted for 29.2% of GDP in 2025. This ratio fluctuated between 23% and 29% in recent years, falling well below the average rate for middle-income countries (34%), but higher than that of low-income countries (21%).¹ Most investment is funneled into non-tradables, partly reflecting widespread uncertainty about the future and the various restrictions imposed by the occupation on movement and foreign trade. The concentration of investment in the service and housing sectors has resulted in lower investment effectiveness and productivity.
- Figure 5 illustrates that the contribution of productive sectors has deteriorated markedly over the past three decades compared with the levels recorded during the 1990s. This contribution has been on a steady downward trend in favour of the service sectors, which accounted for the largest share of the domestic economy. It is important to note that the shares of industry and agriculture in Palestine's GDP fell from 22.2% and 12.1%, respectively, in 1994 to 16.5% and 5.0% by the end of 2025.

Figure 3: Contribution of the Gaza Strip to Palestine GDP during 1994–2025 (Percentage)

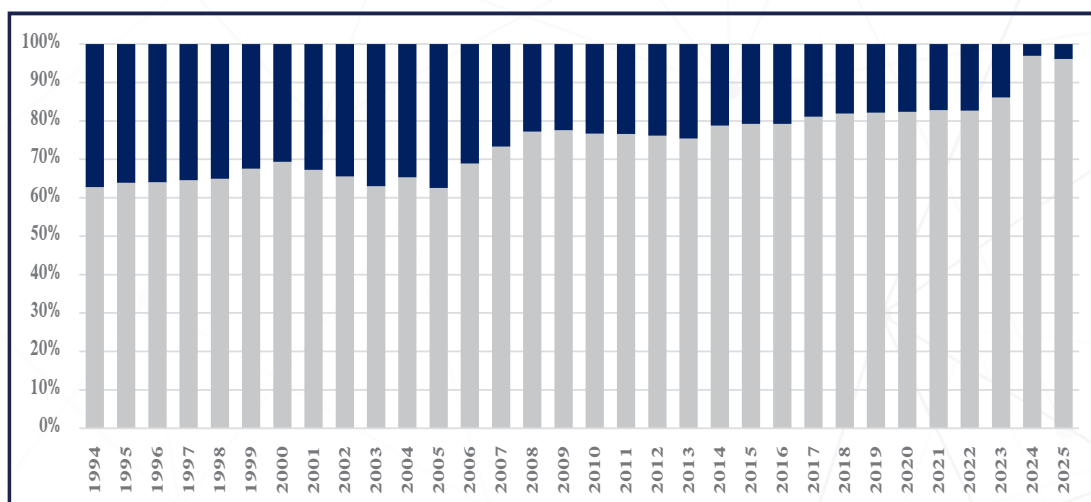
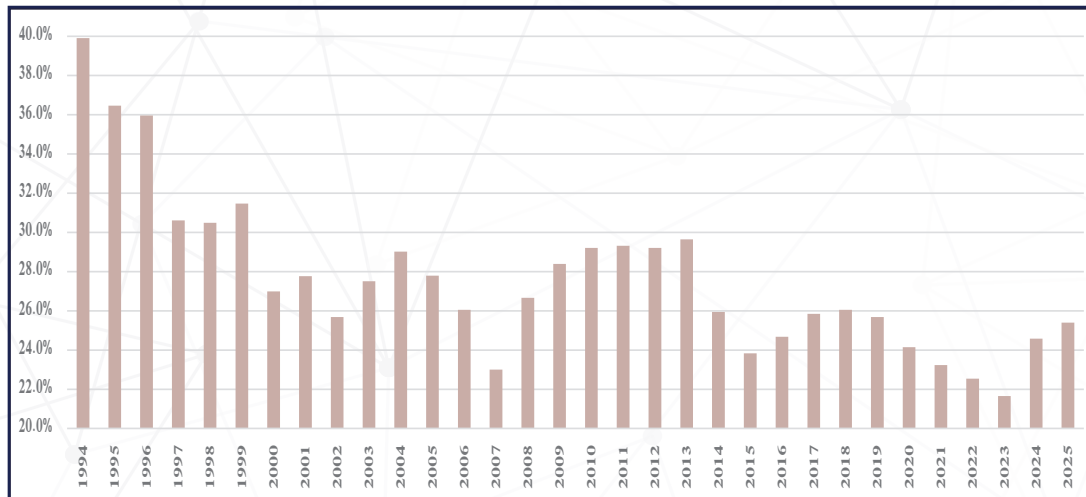


Figure 4: Ratio of GDP per Capita in the Gaza Strip to GDP per Capita in the West Bank during 1994–2025



Figure 5: Value Added of Productive Activities in Palestine during 1994–2025 (Constant Prices, Percentage)



- The gap between what the economy consumes and exports, on the one hand, and what is produced domestically, on the other, means that GDP does not reflect the actual resources available for consumption and investment in a given country. This is because GDP measures only domestically generated income and does not consider transfers and grants from abroad. Table 2 shows a narrowing of the gap between disposable income and GDP during the war years (2024 and 2025) compared with previous years, due to the decline in compensation received by Palestinian employees in Israel and in external transfers. Disposable income in Palestine in 2025 exceeded GDP by 15.6% (compared with 26.6% in 2023). It is also noteworthy that income from Palestinian workers' remittances—most of whom work in Israel and settlements—accounted for around 3.6% of total disposable income (compared with 11.9% in 2023 and 15.0% in 2022).

Table 2: Changes in Expenditure on GDP in Palestine and the Contribution of Demand Components to the Change between 2024 and 2025 (Percentage)

Change in Final Use	Change (%)	Contribution to Change (%)
Change in Private Consumption	6.8	5.8
(+) Change in Public Consumption	(7.7)	(1.4)
(+) Change in Investment	4.6	1.3
(+) Change in Exports	(8.3)	(2.0)
(-) Change in Imports	(0.2)	(0.1)
(+) Change in Net Errors and Omissions	(34.4)	0.5
Domestic Product	4.3	4.3

* Note: The numbers and percentages in brackets are negative values.

2. Labor Market

Some labour market indicators in the West Bank slightly improved in the fourth quarter of 2025 compared with the previous and corresponding quarters. However, overall, the labour market in the West Bank has not recovered from the adverse impacts of the war, as employment levels in the domestic market remain significantly lower than pre-war levels. Similarly, unemployment rates recorded since the shock of the war remain sharply higher than pre-war levels. The general characteristics of the West Bank labour market continue to be susceptible to Israeli-enforced restrictions on freedom of movement within and between West Bank governorates, as well as by the barring of Palestinian workers from accessing workplaces in Israel.

The following is a review of the main characteristics of employment in the West Bank only, given that employment in the Gaza Strip has totally collapsed.

- Participation Rate:** The participation rate is defined as the labour force to human workforce ratio. The higher the rate, the lower the dependency burden on each working person. Labour force participation rate is generally low in Palestine and the Arab region due to the low rate of women's participation in the labour market. In the West Bank, the participation rate reached about 45.4% in the fourth quarter of 2025 (compared to 46.1% in the previous quarter), comprising 71.5% for males and 18.6% for females (see Table 1).

- **Number of Employed Persons:** The total number of employed persons in the West Bank increased by 0.7% between Q4 2025 and the previous quarter, and by 2.8% compared with the corresponding quarter, reaching 736.1 thousand. This remains 15.2% lower than the number of employed persons in the West Bank before the 2023 war, i.e., in Q3 2023 (see Figure 1). Employed persons in the West Bank were distributed as follows: 72.3% in the private sector, 16.8% in the public sector, 7.0% in Israel and the colonies, and 3.9% in the non-government sector.
- **Labour in Israel and settlements:** The number of West Bank workers employed in Israel and settlements increased from 44 thousand in Q3 2025 to about 51.8 thousand in Q4 2025 (39.4% of whom work in settlements). This represents an increase of 16.7 thousand workers compared with the corresponding quarter. Such workers were distributed as follows: 26.8% with work permits, 40.7% without work permits, and 32.4% holding blue ID cards. Despite the increase in the number of workers in Israel and the settlements, their share of total West Bank workers remains noticeably lower than pre-war levels (see Figure 2). Figure 3 also illustrates a marked change in the sector distribution of Palestinian workers in Israel and the colonies in Q4 2025 compared with the situation on the eve of the war. The figure shows, in particular, a noticeable decline in the percentage of workers employed in construction. As Israel pressed on with its genocidal war against Gaza and given the inability of the majority of individuals previously employed in the Israeli labour market to secure employment opportunities in the local market, their living conditions have deteriorated, and their economic hardship has worsened. This has forced them to once again seek informal employment opportunities inside Israel at great personal risk. A portion of these workers has succeeded in returning to work in Israel, most entering through smuggling routes after prolonged suffering and by paying commission fees to brokers and smugglers. Figure 4 shows a marked increase in the number of Palestinian workers employed without permits in Israel and the colonies since the third quarter of 2024, coinciding with the ongoing war.
- **Unemployment:** The unemployment rate in the West Bank stood at 27.5% in the fourth quarter of 2025, down by one percentage point from the previous quarter and by 1.3 percentage points from the corresponding quarter. Still, it is 14.6 percentage
- **Wages:** The average daily wage for workers in the West Bank reached 135.6 Shekels in the fourth quarter of 2025. The average daily wage shows disparity,

Figure 1: Number of Employed Persons in the West Bank during 2022–2025, by Quarter (Thousand Employed Persons)

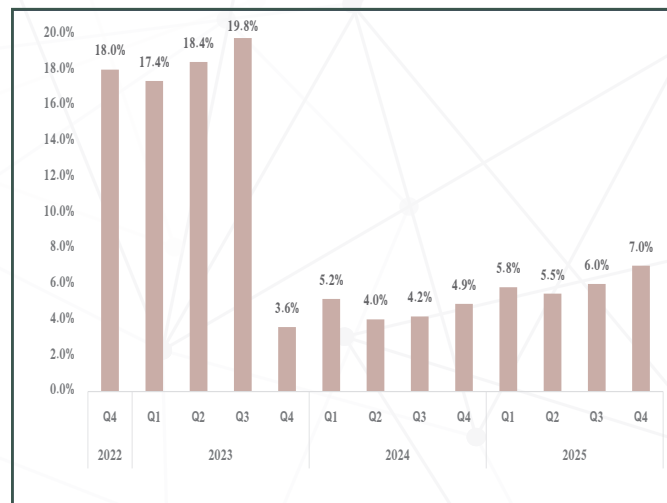
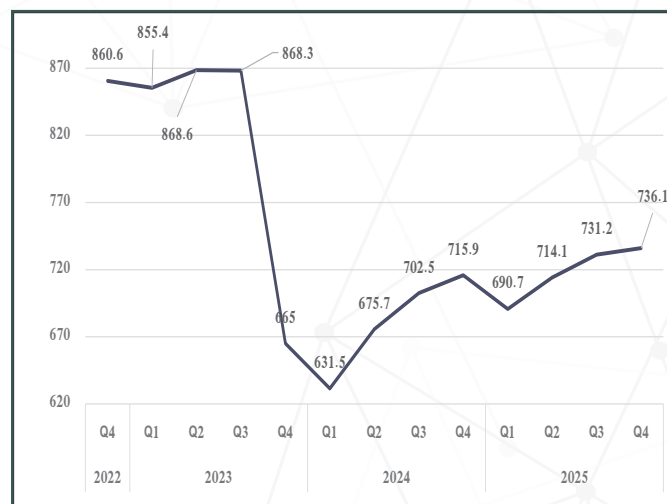


Figure 2: Percentage of Persons Employed in Israel and Colonies out of Total Employed Persons in the West Bank during 2022–2025, by Quarter (%)



amounting to NIS 189.1 for workers in transport, storage, and communications, and NIS 80.7 for agricultural workers. The average daily wage for West Bank workers accounts for 52.8% of the average daily wage for workers in Israel and colonies, where the latter ranges between NIS 299.7 for construction workers and NIS 130.8 for agricultural workers.

Table 1: Labour Force Participation Rate in the West Bank during 2023–2025, by Quarter (%)

Index	2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Participation Rate	47.7	47.8	47.3	46.5	45.6	45.6	46.9	46.1	45.2	45.4	46.1	45.4
Males	75.9	75.3	76.0	74.8	73.1	72.6	74.3	73.7	72.0	72.1	72.4	71.5
Females	18.7	19.5	17.6	17.2	17.2	17.6	18.5	17.6	17.5	17.8	18.9	18.6

Table 2: Unemployment Rate among Labor Force Participants in the West Bank during 2023–2025, by Quarter (%)

Index	2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unemployment Rate	14	13.4	12.9	33.2	35.2	31.1	30.7	28.8	30.2	28.6	28.5	27.5
Males	11.7	10.6	10.2	35.2	35.6	31.4	31	29.1	29.8	28.3	28.1	27.6
Females	23.9	24.7	24.9	24.3	33.4	29.8	29.6	27.7	31.9	29.8	30.2	26.9

- **Minimum Wage:** The official minimum monthly wage in Palestine is NIS 1,880. Paid employees earning below the minimum wage in the private sector in the West Bank accounted for approximately 14.6% (40 thousand workers) in the fourth quarter of 2025, compared with 16.3% (44 thousand workers) in the corresponding quarter. The average monthly wage of such workers was NIS 1,442 in Q4 2025 compared with NIS 1,432 in Q4 2024.

Year 2025

- **Participation Rate:** The labour force participation rate in the West Bank reached approximately 45.5% in 2025 (46.1% in 2024), comprising 72.0% for males and 18.2% for females.
- **Number of Employed Persons:** The total number of employed persons from the West Bank increased by 5.4% (corresponding to 36.6 thousand workers) between 2024 and 2025, reaching 718 thousand workers. This increase was mainly driven by the rise of 24 thousand workers in the local market and of 12.7 thousand workers employed in Israel and the colonies. Nevertheless, the total number of employed persons from the West Bank in 2025 remained around 11.8% lower than in 2023.
- **Labour in Israel and Colonies:** The number of West Bank workers employed in Israel and the colonies increased from 31.2 thousand in 2024 to around 43.8 thousand in 2025 (38.5% of whom were employed in colonies), accounting for 6.1% of the total workforce in 2025, up from about 4.6% in 2024. Nevertheless, the number of West Bank workers employed in Israel and the colonies remained significantly below 2023 levels. They numbered approximately 126.1 thousand workers in 2023, accounting for 15.5% of total West Bank workers.
- **Unemployment:** The unemployment rate in the West Bank stood at approximately 28.7% in 2025, down by 2.8 percentage points from 2024, but still 10.3 percentage points higher than in 2023. The unemployment rate among males reached 28.5% in 2025, compared with 29.7% among females.
- **Wages:** The average daily wage for workers in the West Bank was NIS 136.2 in 2025, compared with
- **Minimum Wage:** Paid employees earning below the

Figure 3: Relative Distribution of West Bank Employed Persons in Israel by Economic Activity (%)

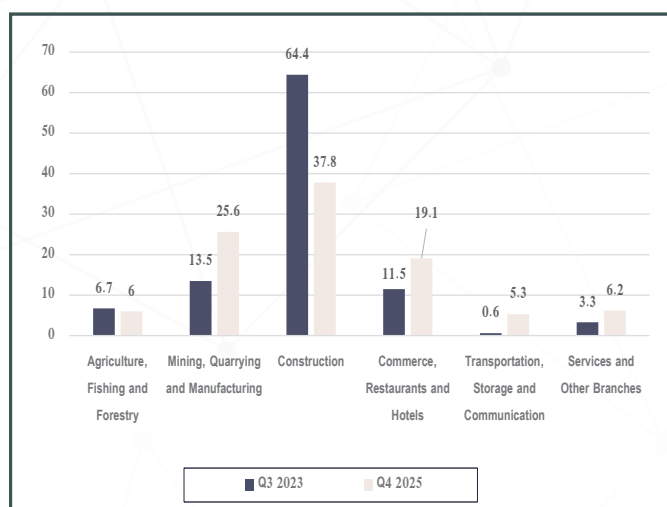
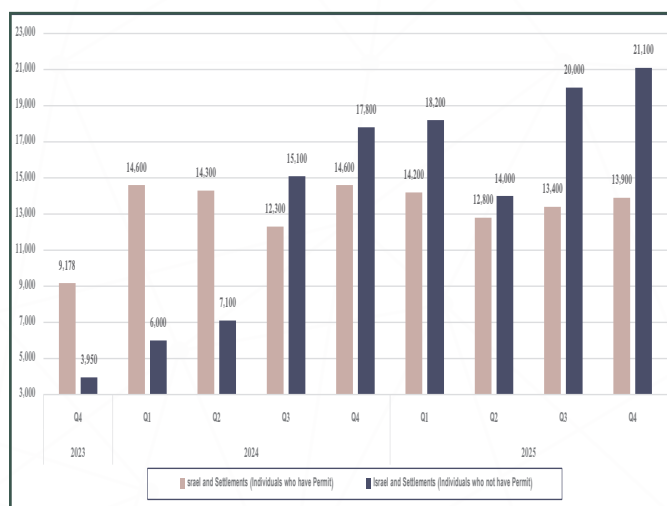


Figure 4: Number of Employed Persons from the West Bank in Israel and the Colonies during 2023–2025, by Quarter and Permit Status (Workers)



minimum wage in the private sector in the West Bank accounted for approximately 16% in 2025 (40 thousand workers), the same percentage recorded in the previous year. They earned an average monthly wage of NIS 1,451 in 2025, compared with NIS 1,423 in 2024.

3. Public Finance¹

Fourth Quarter 2025

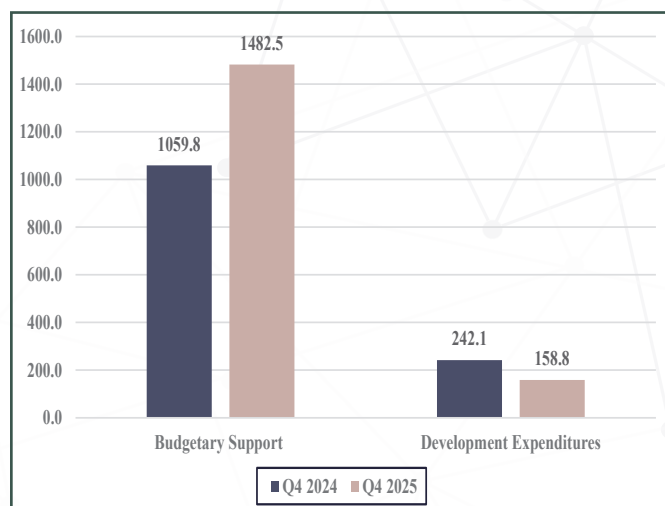
- Public Revenues:** Clearance tax revenues on a cash basis refer to the amounts transferred from Israel to the Palestinian government through banks, in addition to the amounts deducted by Israel as payments for water, electricity, wastewater services, and hospitals. If no cash amounts are transferred, the recorded clearance revenue amounts capture only the deductions. Clearance tax revenues on a cash basis amounted to approximately NIS 1.1 billion during the fourth quarter of 2025, compared with NIS 1.7 billion in the corresponding quarter. It is worth noting that Israel has ceased transferring any cash amounts since June 2025, meaning that the Palestinian government did not receive any cash clearance tax revenues during the fourth quarter. This was reflected in a severe liquidity crisis in the Public Treasury and largely constrained the government's ability to fulfil its obligations. Conversely, domestic tax revenues increased by 12.5% in the fourth quarter compared with the corresponding quarter, reaching approximately NIS 1.4 billion (see Table 1). The value of external grants and aid increased to approximately NIS 1.6 billion, compared with NIS 1.3 billion in the corresponding quarter (see Figure 1). Overall, total net public revenues and grants collected during the fourth quarter of 2025 amounted to approximately NIS 4.1 billion, compared with around NIS 4.2 billion in the corresponding quarter.
- Public Expenditure:** Actual public expenditure declined by 22.9% during the fourth quarter of 2025 compared with the corresponding quarter, amounting to approximately NIS 3.5 billion (see Table 1). This resulted from a 25.9% decline on a cash basis in the wage and salary bill compared with the corresponding quarter, reaching around NIS 1.3 billion. Actual non-wage expenditures also dropped by 33.5% during the same period, amounting to approximately NIS 1.4 billion. In contrast, the net lending item increased during this quarter to NIS 575.1 million, compared with approximately NIS 345.5 million in the corresponding quarter. As for actual development expenditure, it amounted to approximately NIS 179.5 million, compared with about NIS 267.3 million in the corresponding quarter. Overall, actual public expenditures accounted for 65% of commitment expenditures, which amounted to approximately NIS 5.4 billion during this quarter, indicating new arrears accumulated by the government. The value of total arrears accumulated during the fourth quarter of 2025 reached approximately NIS 1.9 billion, while the government managed to repay approximately NIS 0.2 billion of arrears accumulated from previous years during the same quarter.

Table 1: Public Budget Revenues and Expenditures on a Cash Basis (NIS Million)

Item	Q4 2024	2024	Q4 2025	2025
Total revenues	2,914.8	11,653.9	2,433.6	11,230.7
Gross clearance revenues	1,710.2	6,856.8	1,075.4	6,155.7
Tax revenues	842.5	3,208.1	988.3	3,219.1
Non-tax revenues	270.7	1,270.4	297.8	1,525.5
Earmarked Collections	95.6	369.6	73.6	360.4
Tax refunds (-)	4.2	50.9	1.5	30.0
Total expenditures	4,520.4	14,380.4	3,483.2	12,912.4
Wages and salaries	1,811.2	6,128.5	1,342.3	5,834.6
Non-wage expenditures	2,043.9	5,795.8	1,359.8	5,095.5
Net lending	345.5	1,481.0	575.1	1,274.8
Allocated payments	52.5	347.6	26.5	164.8
Development expenditure	267.3	627.5	179.5	542.7
Balance before grants and aid	(1,605.6)	(2,726.5)	(1,049.6)	(1,681.7)

*The figures in brackets are negative.

Figure 1: External Grants and Aid in Q4 2024 and Q4 2025 (NIS Million)



- Fiscal Surplus/Deficit:** In line with developments on both the revenue and expenditure sides in the fourth quarter of 2025, the overall balance before external grants and aid recorded a deficit of around NIS 1 billion on a cash basis. On a commitment basis, the deficit amounted to NIS 1.4 billion.

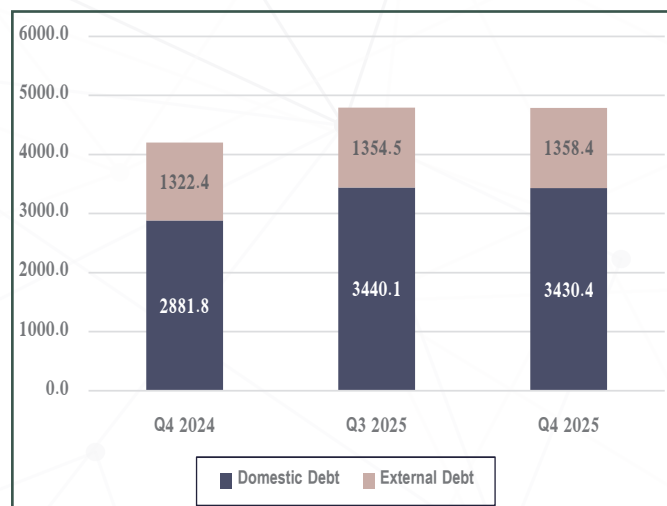
¹ Source of figures in this section: Ministry of Finance, Monthly Reports of 2025: Fiscal Operations: Revenues, Expenditures and Financing Sources (December 2025). The data are preliminary and remain subject to revision and amendment.

- **Public Debt:** Total government public debt (domestic and external), expressed in US dollars, increased by 13.9% at the end of the fourth quarter of 2025 compared with the corresponding quarter, reaching USD 4.8 billion (equivalent to NIS 15.3 billion). This public debt level is roughly equivalent to that recorded at the end of the third quarter of 2025. Domestic debt accounted for about 71.6% of the total, compared with 28.4% for external debt (see Figure 2).

Year 2025

- **Public Revenues:** The clearance tax revenues declined on a cash basis by 10.2% in 2025 compared with 2024, reaching around NIS 6.2 billion. In contrast, domestic tax revenues increased by 5.3% to approximately NIS 5.1 billion. Overall, total public revenues (domestic taxation and clearance tax revenues) dropped by 3.6%, amounting to around NIS 11.2 billion.
- **Public Expenditure:** Actual public expenditures declined by 10.2% in 2025 compared with 2024, reaching approximately NIS 12.9 billion. This resulted from a 4.8% decline in the wage and salary bill, which amounted to around NIS 5.8 billion, and a 12.1% decline in non-wage expenditures, which stood at about NIS 5.1 billion. Overall, actual public expenditures accounted for 68.5% of accrued expenditure, which amounted to approximately NIS 18.8 billion during 2025.
- **Fiscal Surplus/Deficit:** The deficit in the total balance before grants and aid, on a commitment basis, amounted to approximately NIS 3.6 billion in 2025. Nevertheless, this figure fails to capture the true state of public

Figure 2: Government Public Debt, by Domestic and External Components (USD Million)



funds given the Israeli deductions and the withholding of tax clearance funds. Annual public finance data indicate that net domestic revenues collected during 2025 actually amounted to around NIS 11.2 billion (including clearance tax revenues and domestic tax revenues on a cash basis), while accrued financial obligations mounted to approximately NIS 18.8 billion. This reflects a funding gap of about NIS 7.6 billion between available resources and the government's obligations during the year (on a commitment basis). External grants and aid contributed to reducing this gap to around NIS 4.4 billion.

4. Banking Sector¹

- **Total Assets:** The total assets of the banks licensed in Palestine reached USD 28.2 billion at the end of 2025, increasing at a rate of 15.0% compared with the end of 2024. This increase was mainly driven by the increase in cash held in banks' vaults in addition to an expansion in government credit. The depreciation of the US dollar against the Shekel during the period also increased the value of banks' holdings of assets when denominated in US dollars. It is worth noting that the growth rate of assets stood at 8.5% when the exchange-rate effect is neutralized.
- **Credit Facilities:** The credit facilities portfolio extended by banks increased by 5.4% compared with the end of 2024, reaching USD 12.6 billion (see Table 1). This increase was mainly driven by higher financing extended to the public sector, particularly credit facilities granted to the government. Outstanding credit facilities extended to the public sector rose by approximately 19% compared with the end of the previous year (12% when the exchange-rate effect is neutralized). Financing

extended to the government reached approximately USD 3.3 billion by the end of 2025, representing 26.6% of total bank credit facilities. Data also show a slight increase of 1.2% in financing extended to the private sector (a decline of 5.1% when the exchange-rate effect is neutralized), reaching USD 9.2 billion and accounting for 73.4% of total credit facilities. The slight increase in private-sector credit is attributable to a drop in the demand for credit—particularly from sectors most affected by the war—as well as to the exercise by the banks of caution and prudence in the granting of credit under exceptional circumstances to mitigate credit risk.

- **Sector Credit:** Credit developments varied across economic sectors. Outstanding financing declined markedly in the consumer goods financing, agriculture and livestock, and land development sectors. Other sectors, such as real estate, construction and auto financing, exhibited either stable performance or slight decline. In contrast, outstanding credit of the trade and services sectors increased during the period (Table 1).

¹ Source of figures in this section: PMA. December 2025, Consolidated Balance Sheet for Banks, List of Profits and Losses, and PMA Database. The data is preliminary and subject to revision and amendment.

Table 1: Sector Distribution of Credit Facilities (US Million)

Item	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Public Sector	2,317.2	2,558.1	2,720.1	2,819.4	2,711.3	3,132.4	3,345.4	3,352.5
Real Estate and Construction	2,388.5	2,370.5	2,401.1	2,372.9	2,341.8	2,315.5	2,342.3	2,378.2
Mining and Industry	687.7	671.2	652.4	662.2	658.1	677.8	651.6	647.8
Trade	2,031.7	1,940.3	1,968.8	1,930.2	1,946.3	1,998.1	1,997.8	2,041.2
Services	1,109.5	1,089.7	1,105.1	1,070.6	1,223.8	1,258.1	1,244.9	1,145.4
Auto Financing	499.2	477.8	472.0	410.9	415.2	423.7	414.0	412.9
Consumer Goods Financing	1,284.1	1,307.5	1,367.2	1,397.3	1,326.3	1,342.1	1,390.3	1,350.8
Others in the Private Sector*	1,410.2	1,401.4	1,318.5	1,283.7	1,320.8	1,537.0	1,425.6	1,259.1
Total	11,728.1	11,816.5	12,005.2	11,947.2	11,943.6	12,684.8	12,811.9	12,587.9

* The "Others" category in the private sector comprises credit facilities granted to land development, agriculture and livestock, the tourism, hotels and restaurants sector, the transportation sector, in addition to equity investment financing and other uncategorized facilities.

Table 2: Breakdown of Customers' Deposits (US Million)

Item		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Depositor	Public Sector	615.8	604.3	743.3	735.7	661.0	857.2	748.2	851.3
	Private Sector	17,073.2	17,004.6	17,555.1	18,040.4	18,595.5	20,090.4	20,538.9	21,011.1
Region	West Bank	15,443.6	15,104.2	15,414.3	15,420.4	15,531.8	16,438.4	16,376.4	16,804.8
	Gaza Strip	2,245.4	2,504.70	2,884.1	3,355.7	3,724.6	4,509.2	4,910.7	5,057.6
Deposit Type	Current Deposits	7,005.0	7,067.0	7,567.4	7,722.8	8,055.6	8,786.5	9,045.7	9,419.6
	Saving Deposits	5,963.5	5,868.7	6,025.0	6,262.6	6,440.4	7125.6	7,303.9	7,391.4
	Time Deposits	4,720.5	4,673.2	4,706.0	4,790.7	4,760.5	5035.5	4,937.5	5,051.4
Currency	US Dollar (\$)	6,357.8	6,348.9	6,802.7	7,050.2	7,241.7	8,656.3	8,985.7	9,235.8
	Shekel (NIS)	7,879.4	7,856.4	8,094.2	8,170.9	8,486.4	8,392.8	8,372.9	8,450.7
	Jordanian Dinar (JD)	3,061.0	3,007.7	3,014.9	3,055.1	3,103.5	3,287.34	3,395.5	3,508.3
	Other Currencies	390.8	395.9	386.6	499.9	424.8	611.2	533.0	667.6
Total Customers' Deposits		17,689.0	17,608.9	18,298.4	18,776.1	19,256.4	20,947.6	21,287.1	21,862.4

- **Customers' Deposits:** Customers' deposits in the banking system posted an increase of 16.4% in 2025 compared with the end of 2024, reaching USD 21.9 billion. This growth was driven primarily by the upward trend in customers' deposits in the Gaza Strip, which increased by 50.7% to exceed USD 5.0 billion, raising Gaza's share of total customers' deposits in Palestine to 23% compared with only 10% in the pre-war period.² Customers' deposits in the West Bank also registered a significant 9.0% increase (corresponding

to USD 1.4 billion) by the end of 2025 compared to their value a year earlier, reaching USD 16.8 billion. This increase was mainly driven by growth in deposits denominated in US dollars and Jordanian Dinars (JD), in contrast to a decline in Shekel-denominated deposits. Deposits in US dollars increased by around 20% compared with the previous year, reaching USD 6.5 billion (39% of total customers' deposits in the West Bank). Deposits in JD increased by 15% during the same period, reaching USD 3.3 billion (19% of customers' deposits in the West Bank). By contrast, Deposits in the Shekel declined by 4.0%, reaching USD 6.4 billion (see Table 2).

² As noted in previous issues, there are three main reasons behind the increase in bank deposits in the Gaza Strip. First, the war prompted the citizens in the Strip to deposit their money in banks, as banks were perceived as the safest place to store one's financial assets amid the widespread destruction inflicted by the occupation. Second, financial transfers from abroad to people in Gaza contributed to the increase in deposits. Third, employees have been unable to withdraw their salaries from banks across the Strip due to damage inflicted on bank branches and ATMs.

- **Non-performing Loans (NPLs):** The value of NPLs in the banks operating in Palestine increased by 24.3% at the end of 2025 compared with the previous year, reaching USD 760.6 million. This amount accounted for approximately 6.0% of total outstanding loans, compared with 5.1% in 2024 (Figure 1). The consumer goods financing sector recorded a 54% increase in the value of NPLs between 2024 and 2025, with its NPL ratio rising to 12.3%, compared with 7.7% in 2024. Similarly, the NPL ratio increased in the wholesale trade sector from 8.8% to 9.4% and in the real estate and construction sector from 4.6% to 5.6%. A similar trend was observed in the manufacturing and mining sector, where the NPL ratio rose to 7.8% from 5.2% a year earlier.
- **Bank Profits:** Banks operating in Palestine achieved a net profit after taxes of USD 132.8 million in 2025. Although bank profits in 2025 were more than three times higher than in the previous year (approximately USD 43.1 million in 2024), they remained about 42% lower than the level recorded in 2022, the year preceding the outbreak of the Gaza war (USD 229 million). This indicates that bank profits are gradually recovering from the effects of the war, while considering the repercussions of the destruction in the Gaza Strip. Table 3 shows that banks recorded an increase in profits in 2025 compared with the previous year due to lower expenditures (more specifically, lower provisions) rather than due to higher revenues. In fact, bank revenues in 2025 were slightly lower than those recorded in the previous year.
- **Interest Rates:** The weighted average interest rates on time deposits increased for both Jordanian Dinar- and Shekel-denominated deposits during the fourth quarter of 2025 compared with the corresponding quarter, reaching 2.94% and 3.12%, respectively. In contrast, the return on US dollar time deposits declined slightly over the same period, falling to 2.85% compared to 2.89% in the corresponding quarter. The weighted average interest rates on loans denominated in Jordanian Dinars and US dollars increased compared with the corresponding quarter,

Figure 1: Non-Performing Loans (NPLs) Ratio (%)

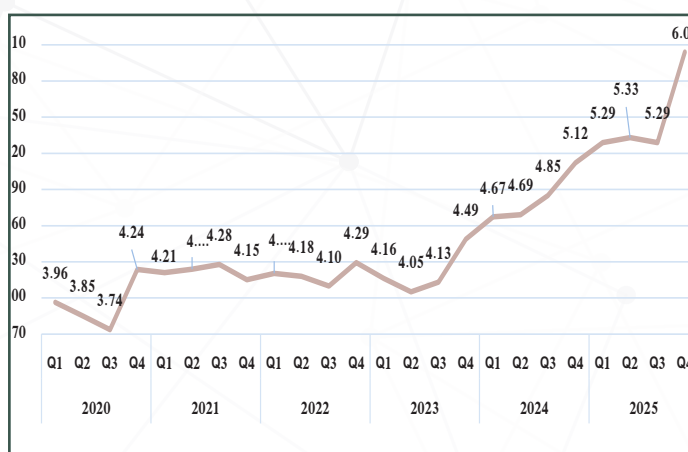


Table 3: Breakdown of the Sources of Revenues and Expenditure of Licensed Banks, 2024–2025 (US Million)

	2024	2025
Revenues	1,034.7	1,010.9
- Interest Income	855.7	809.3
- Non-Interest Income	178.5	200.7
- Share of Subsidiary Companies' Profits	0.5	0.9
Expenditures	991.7	878.1
- Non-Interest Expenditures	530.4	542.5
- Provisions	458.4	290.6
- Taxes	2.9	45.1
Net Income (Profit)	43.1	132.8

rising by around 39 basis points to 6.76% for Dinar-denominated loans and by around 14 basis points to 6.15% for Dollar-denominated loans. By contrast, the average interest rate on Shekel-denominated loans declined markedly during the same period by around 39 basis points, reaching 6.23% (Table 4).

Table 4: Interest Rates on Deposits and Loans (%)

Item		Shekel		US Dollar		Jordanian Dinar	
		Depositing	Lending	Depositing	Lending	Depositing	Lending
2024	Q1	2.78	6.81	2.93	6.14	2.57	5.92
	Q2	2.77	6.64	2.90	6.27	2.75	5.98
	Q3	2.75	6.65	2.86	5.97	2.67	5.99
	Q4	2.86	6.62	2.89	6.01	2.69	6.37
2025	Q1	2.94	6.41	2.94	5.98	2.65	5.97
	Q2	2.95	6.36	2.89	5.96	2.72	6.52
	Q3	2.91	6.26	2.81	6.23	2.59	6.48
	Q4	3.12	6.23	2.85	6.15	2.94	6.76

5. Non-Banking Financial Sector¹

Fourth Quarter 2025

Securities Sector

The value of shares traded on the Palestine Exchange increased by 150% and 196% at the end of the fourth quarter of 2025 compared with the third quarter of 2025 and the corresponding quarter of 2024, respectively. This substantial improvement in share-trading activity growth rates is attributable to the sharp drop in trading activities recorded during 2024 as a result of the genocidal war in the Gaza Strip. On the other hand, the market capitalization of traded shares increased by 21.1% at the end of the fourth quarter of 2025 compared with its level at the end of the corresponding quarter of 2024. It also increased by 8.5% compared with its level at the end of the third quarter of 2025. This was reflected in an increase of 3.3 percentage points in the ratio of stock market capitalization to GDP compared with its level at the end of the fourth quarter of 2024 (see Table 1).

Financial Lease Sector

The total value of financial leasing contracts grew by 25% at the end of the fourth quarter of 2025 compared with the third quarter of the same year. The number of financial leasing contracts also rose by 18% during the same period. This was accompanied by a 27% growth in the total value of contracts. On the other hand, the number of such contracts declined by 2.5% between the corresponding fourth quarters of 2025 and 2024.

Insurance Sector

Total insurance premiums grew by 33% at the end of the fourth quarter of 2025 compared with the third quarter of the same year. This growth was reflected across all insurance indicators contained in Table 2. Total insurance contract revenues and total investments of insurance companies increased by 35% and 4%, respectively, at the end of the fourth quarter of 2025 compared with the third quarter of the same year.

Year 2025

Securities Sector

The activity Indicators of the Palestine Exchange (PEX) showed a notable recovery in 2025 compared with the levels reached in 2024. The AI-Quds Index closed at 619.66 points at the end of 2025, recording a notable increase of 24.4% compared with its level at the end of 2024. Meanwhile, the value and volume of traded shares rose by 133.4% and 109%, respectively, in 2025 compared with the previous year. The market capitalization of the shares listed in the PEX increased by 21% at the end of 2025, reaching 28.8% of Palestinian GDP for 2025. As mentioned earlier, this positive development in trading activity is attributable to a rebound from the sharp decline in trading activity in 2024 due to the war.

Table 1: Key Indicators of Trading Activity in the Palestine Exchange

Index	Q4 - 2024	Q3 - 2025	Q4 - 2025	Year 2024	Year 2025
Number of Traded Shares	33.3	33.6	43.8	100.4	209.8
Value of Traded Shares	49.0	57.6	144.9	164.2	383.2
Market Capitalization	4,080.1	4,556.0	4,942.8	4,080.1	4,942.8
Number of Transactions	5,076	6,062	5,739	18,248.0	23,643
Number of Trading Sessions	65	65	65	244.0	244
Market Capitalization as a Percentage of GDP (at Current Prices)*	%25.5	%26.5	%28.8	%25.5	%28.8

* Current-price GDP for 2024 and 2025 was used, as the market capitalization of traded shares is measured at current prices.

Table 2: Key Financial Indicators of the Insurance Sector in Palestine, 2024 and 2025 (US Million)

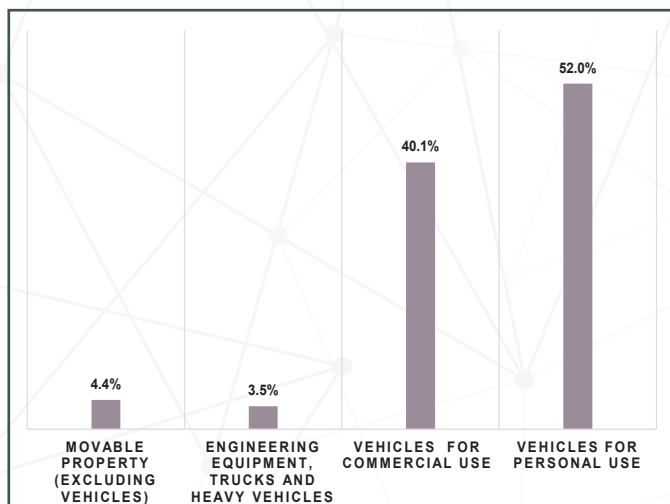
Item	Q4 - 2024	Q3 - 2025	Q4 - 2025	2024	2025
Total Written Insurance Premiums	383.5	319.5	424.7	383.5	424.7
Total Insurance Contracts Revenues*	363.7	285.1	386.0	363.7	386.0
Total Insurance Contracts Expenses*	336.4	244.7	332.3	336.4	332.3
Total Insurance Companies Investments*	294.4	306.9	319.4	294.4	319.4
Insurance Penetration Ratio (%)**				2.4%	2.7%
Insurance Density (%)**				69.86	76.43

*Total insurance contracts revenues, total insurance contracts expenses, and total insurance companies investments exclude data on the American Life Insurance Company - ALICO. In addition, data for the third and fourth quarters of 2025 include the unaudited initial financial statements of Al Baraka Islamic Insurance Company.

**The figures of this index are based on the population number obtained from the PCBS' report titled "Palestinians at the End of 2025" as well as on the PCBS-issued GDP data at current prices for 2024.

¹ Source of figures in this section: The Palestine Capital Market Authority (PCMA), 2025.

Figure 1: Breakdown of Leased Assets According to Contract Value, End-2025



Financial Lease Sector

The total value of financial leasing contracts amounted to USD 118.15 million, executed through 1,944 contracts during 2025, recording a substantial increase of 27.4% and 12.4%, respectively, compared with 2024. Figure 1 shows that private and commercial vehicles continued to account for the largest share (92.1%) of the financial lease portfolio in Palestine during 2025. In terms of geographic concentration, it should be noted that the majority of financial lease activity was concentrated in the Ramallah and Nablus governorates, accounting for 42.9% and 15.8%, respectively (see Figure 2).

Insurance Sector

The number of insurance companies licensed by the Palestinian Capital Market Authority PCMA totalled 12 at the end of 2025. Despite the ongoing repercussions of Israel's genocidal war on the Gaza Strip and its incessant military aggression in the West Bank, the insurance sector experienced remarkable growth in terms of insurance portfolio during 2025. Total collected insurance premiums in the Palestinian market reached USD 424.7 million in 2025, compared with USD 383.5 million in 2024, representing a growth rate of 11%. Total investments by insurance companies amounted to USD 319.4 million, with real estate investments accounting for the largest share, representing 47% of total investments (see Table 2).

Figure 3: Distribution of the Insurance Portfolio by Insurance Product at the End of 2025

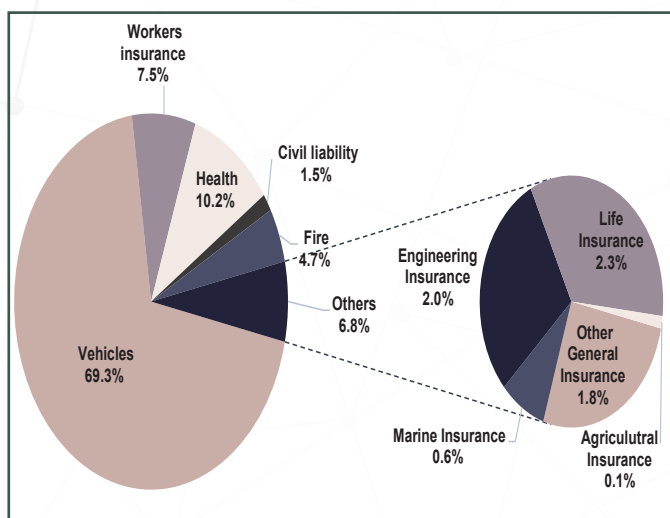
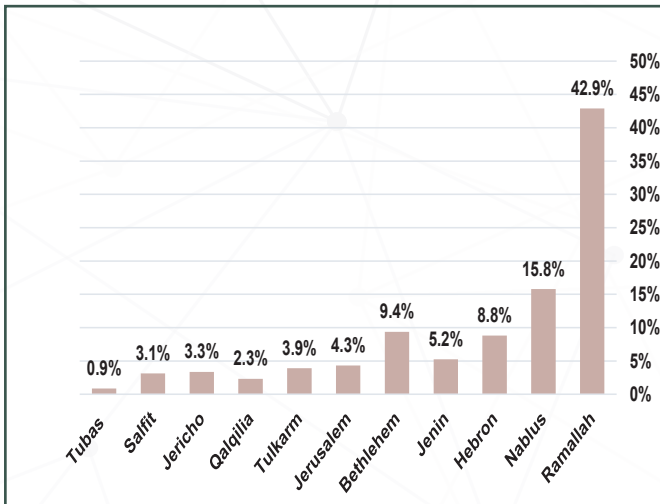


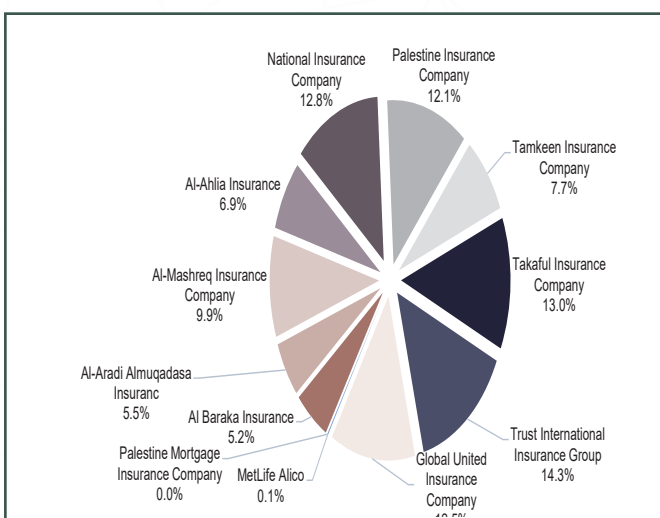
Figure 2: Geographic Distribution of Registered Financial Leasing Contracts by Number of Contracts at the End of 2025



Concerning the relative importance of the insurance sector in the national economy, it is noted that the "insurance penetration" ratio, measured as the ratio of total value of insurance premiums to GDP, continued to increase. This ratio reached approximately 2.7% by the end of 2025, serving as an indicator of the partial recovery in the insurance market in Palestine. As for insurance density, which measures the total insurance portfolio per capita, it has also increased over the past two years, reaching USD 76.43 by the end of 2025. This growth is attributable to the 11% growth in the insurance portfolio during the year. It should be noted, however, that the Gaza Strip accounted for only 2% of the total insurance portfolio in Palestine.

Figure 3 shows that the insurance portfolio continues to be largely concentrated in vehicle insurance, which accounted for 69% of the total insurance portfolio at the end of 2025. It is followed by health insurance, which accounted for 10% of the total insurance portfolio. Figure 4 also indicates a clear concentration of market shares among insurance companies, with four out of the twelve insurance companies accounting for approximately 53% of total written premiums in the Palestinian insurance market as of the end of 2025.

Figure 4: Distribution of the Insurance Portfolio by Insurance Company Operating in Palestine at the End of 2025



6. Prices and Inflation¹

The level of price shifts in Palestine is influenced by three main factors, namely, changes in import prices (particularly imports from Israel), changes in domestic demand in the Palestinian economy, and fluctuations in the exchange rate of the Shekel against the US dollar.

Fourth Quarter 2025

- **Inflation Rate:** The price index reversed its upward trend in the Palestinian Territory, as the inflation rate registered a noticeable decline for the first time since the onset of the war (see Figure 1). The rate of deflation (decrease in prices) between the fourth quarter of 2025 and the corresponding quarter of 2024 reached 33.8% , compared with a decrease of 37.0% between the third quarter of 2025 and the third quarter of 2024 (year-on-year basis).
- The decline in prices during this quarter is mainly attributable to the entry into force of the Gaza ceasefire agreement as part of the first phase of the US government-proposed peace plan. The agreement included loosening restrictions on the entry of trucks, fuel, and humanitarian aid into the Strip, allowing limited shipments of basic goods to Gaza markets. Although this partial improvement on the supply side - following severe shortages since the war outbreak - was not sufficient to fully meet Gaza's needs, it contributed to a notable decline in price levels, thus relieving inflationary pressures. Price levels in the Gaza Strip declined by 57.9% (on a year-on-year basis). In contrast, the West Bank experienced relative price stability, with a slight decline of about 0.15%.
- **Decline in Import Prices:** The exchange rate of the US dollar against the Shekel is one of the main determinants gasoline reached approximately USD 0.59 in the fourth quarter of 2025, it reached about USD 2.1 in the West Bank (more than three times the global price), and approximately USD 49.2 in the Gaza Strip.
- **Prices of Goods and Services:** Table 1 shows that the deflation in the West Bank during the fourth quarter of 2025 resulted from a decline in the prices of some consumption basket commodity groups, including food items, furniture, medical services, communications, recreational goods and services, education services, as well as insurance and financial services. This deflation occurred despite increases in the prices of alcoholic beverages and tobacco, textiles, clothes and footwear, housing and utilities, transport and communications, restaurant and hotel services, and personal care services. In the Gaza Strip, the deflation was driven by a drop in prices across most major expenditure groups, except for restaurant, café and hotel services, education services, and medical services. The sharpest declines were recorded in alcoholic beverages and tobacco (92.2%) and the food group (48.6%).

Figure 1: Evolution of the CPI and Quarterly Inflation Rates (on an Annual Basis, %) (Base Year: 2018)

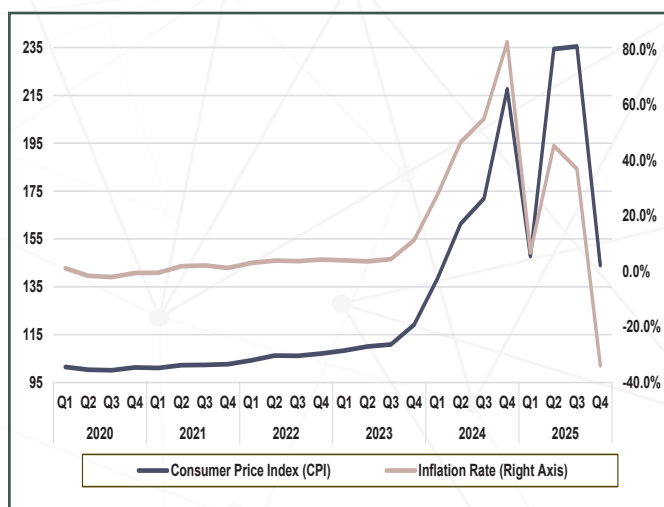


Table 1: Inflation Rate in the Fourth Quarter of 2025 by Main and Sub-Expenditure Groups (on a Year-on-Year Basis, %)

Main Expenditure Groups	West Bank*	Gaza Strip	Palestine
Food Items and Refreshment Beverages	(1.1)	(48.6)	(31.9)
Alcoholic Beverages and Tobacco	5.2	(92.2)	(83.4)
Textiles, Clothes and Footwear	0.6	(13.2)	(3.2)
Housing and Utilities	2.2	(7.8)	(2.6)
Furniture and Housing Furnishings and Goods	(0.3)	(18.3)	(5.0)
Medical Services	(0.4)	0.0	(0.3)
Transportation	0.1	(1.7)	(0.6)
Communications	(3.3)	(0.6)	(2.4)
Recreational and Cultural Goods and Services	(5.7)	1.5	(4.1)
Education Services	(2.5)	0.0	(1.4)
Restaurant, Café and Hotel Services	1.3	1.2	2.5
Insurance and Financial Services	(6.7)	(2.0)	(3.9)
Personal Care, Social Protection, and Miscellaneous Goods and Services	1.4	(13.1)	(1.8)
Inflation Rate	(0.2)	(57.9)	(33.8)

*Data excludes the part of Jerusalem Governorate forcibly annexed by Israel following the occupation of the West Bank in 1967.

** The figures in brackets are negative.

- **Purchasing Power Development:** The Consumer Price Index (CPI), which is used to measure inflation, recorded a decline of 33.8% in the Palestinian Territory between the fourth quarter of 2025 and the corresponding quarter. Such a decline led to an equivalent improvement in the purchasing power

¹ Source of figures in this section: PCBS. (2025). Prices and Price Indices, 2020 – 2025. In cooperation with the PMA to calculate the purchasing power.

of the Shekel, with variation between the West Bank and the Gaza Strip as shown in Table 2. The purchasing power of the Shekel has recorded a slight improvement of 0.2% in the West Bank, while it rose by 57.9% in the Gaza Strip. For individuals earning salaries in US dollars, but spending in shekels, the 12.2% depreciation of the US dollar against the Shekel between the two corresponding quarters led to a 12.0% decline in their purchasing power in the West Bank. This is roughly equivalent to the change in the purchasing power of the Jordanian Dinar, which is pegged to the US dollar at a fixed exchange rate. In the Gaza Strip, however, the purchasing power of individuals earning salaries in US dollars or Jordanian dinars and spending in Shekels improved by 45.7% (see Table 2).

- According to the PMA's Inflation Report, prices are expected to remain stable in the first quarter of 2026 (with a negative inflation rate of 0.1%). This is attributable to the fact that the Gaza ceasefire is still in effect, allowing for the ongoing entry of essential goods and humanitarian aid into the Gaza Strip. This comes in parallel with the advent of the holy month of Ramadan, which is typically associated with a seasonal rise in demand, while taking into account the increasing regional risks stemming from the Iranian–American–Israeli confrontation and its direct repercussions for global energy markets and supply chains.

Annual 2025 Inflation

- Annual Inflation Rate:** Inflation in the Palestinian Territory rose by 10.5% in 2025 compared with 2024. The incessant Israeli genocidal war on the Gaza Strip until the final quarter of 2025 had the greatest impact on the rise in the price levels of domestic commodities, particularly in Gaza, where prices rose by 21.9%. In contrast, the West Bank experienced relative price stability, with a slight decline of 0.1%.
- Purchasing Power of the Shekel:** The stable inflation rate in the West Bank during 2025 compared with 2024 resulted in the stable purchasing power of the Shekel, while, as noted above, the increase in inflation rate in Gaza resulted in an equivalent decline in purchasing power. Table 3 illustrates the decline in the purchasing power of the Shekel in the Palestinian Territory over the past four years. This adds to the financial burdens on Palestinian households and their reduced ability to meet basic needs in terms of goods and services. Such burdens vary with different income levels, with the burden falling heaviest on marginalized and the poorest households, particularly as the wave of price hikes has affected essential goods. Annual CPIs from the PCBS

Table 2: Development of the Purchasing Power of Different Currencies in the Fourth Quarter 2025 (on an Annual Basis %)

Currency	West Bank*	Gaza	Palestine
Shekel	0.2	57.9	33.8
US Dollar**	(12.0)	45.7	21.6

Source: Figures were calculated based on data from the PMA and the PCBS.

*Data excludes the part of Jerusalem Governorate forcibly annexed by Israel following the occupation of the West Bank in 1967.

** The numbers in brackets are negative.

Table 3: Increases in the Cost-of-Living Index over the Past Four Years, by Region (%)

Years	Palestine	West Bank*	Gaza Strip
2022	3.74	3.74	3.16
2023	5.87	4.77	10.53
2024	53.67	2.48	237.98
2025**	10.54	(0.11)	21.93
2022-2025	86.57	11.26	369.90

*Data excludes the part of Jerusalem Governorate forcibly annexed by Israel following the occupation of the West Bank in 1967.

** The numbers in brackets are negative.

indicate that the successive rises in prices over recent years have resulted in income erosion. The cost of living increased by approximately 284% from 1996 to 2025, corresponding to an increase of NIS 2,841 per NIS 1,000, and by around 147% when calculated from 2008.

- Purchasing Power of the US Dollar and the Jordanian Dinar:** The average exchange rate of the US dollar against the Shekel declined by approximately 6.8% between 2024 and 2025. This implies that the purchasing power of individuals earning salaries in US dollars and spending in Shekels dropped by approximately 17.3% during 2025 in the Palestinian Territory. At the regional level, the purchasing power of individuals earning in US dollars and spending in Shekels in the West Bank declined by 6.7%. This decline is approximately equivalent to the decline in the purchasing power of individuals earning in Jordanian dinars and spending in shekels. As the inflation rate was higher in the Gaza Strip compared to the West Bank, the decline in purchasing power for individuals earning salaries in US dollars or Jordanian dinars in Gaza was 28.7%.

7. Imports and Exports¹

Fourth Quarter 2026

- “Registered” imports of goods² recorded a slight increase of 1.3% in the fourth quarter of 2025 compared to the previous quarter, and a sharp increase of 25.9% compared to the corresponding quarter of 2024, reaching approximately USD 2,039.3 million (see Figure 1). The sharp increase between the corresponding quarters was mainly attributable to the significant decline in imports in the last quarter of the previous year (2024).
- “Registered” exports of goods experienced a growth of 4.8% in the fourth quarter of 2025 compared to the previous quarter and of 26.5% compared to the corresponding quarter of 2024, reaching USD 543.3 million (see Figure 2). As was the case with imports, the sharp increase between the corresponding quarters was attributable to the substantial decline in exports in the final quarter of 2024.
- Accordingly, the exports-to-imports ratio increased by 0.8 percentage points relative to the previous quarter and by a marginal 0.1 percentage point compared to the corresponding quarter, reaching approximately 26.6%.
- Approximately 59.7% of imports in the fourth quarter originated from Israel, while 87.7% of Palestinian exports were destined for the Israeli market.
- The difference between exports and imports represents the deficit in the trade balance for goods, which amounted to USD 1,496.0 million in the fourth quarter of 2025, of which 49.5% was attributable to trade with Israel. This deficit accounted for 32.4% of GDP. The surplus typically achieved in the services balance with Israel contributes to a modest improvement in the overall trade balance.

Year 2025

- The value of registered imports of goods in 2025 amounted to approximately USD 7,583.8 million (57.6% of which originated from Israel), representing an increase of 19.3% compared to 2024. This increase was attributable to the unprecedented decline of imports during the previous year.
- The value of registered exports of goods reached approximately USD 1,883.4 million in 2025 (90.0% of which was destined for Israel), representing an increase of 22.4% compared to the previous year. This increase was mainly attributable to the unprecedented drop in exports in the preceding year.
- Accordingly, the value of exports accounted for approximately 24.8% of the value of imports in 2025,

Figure 1: Registered Imports of Goods (US Million)

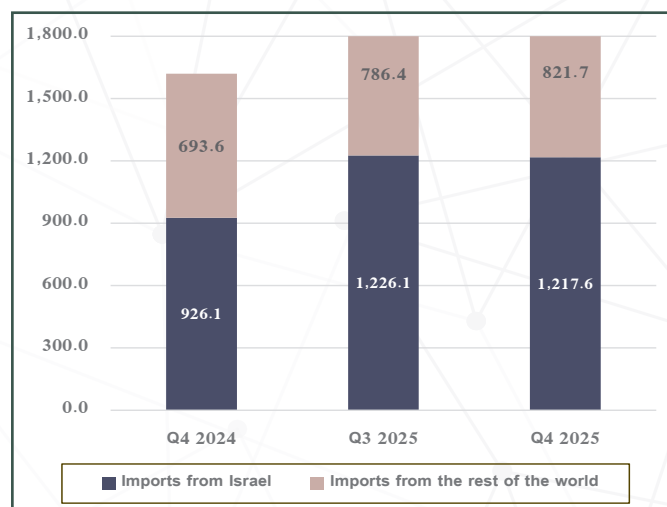
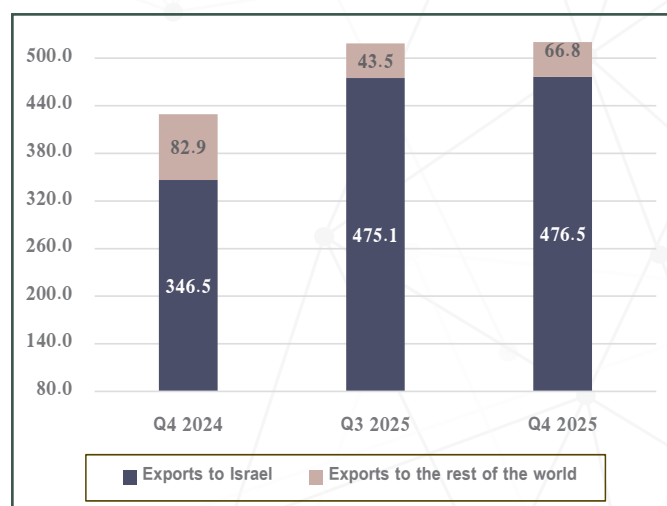


Figure 2: Registered Exports of Goods (US Million)



a ratio that was 0.6 percentage points higher than its level in 2024.

- The deficit in the trade balance for goods amounted to approximately USD 5,700.4 million in 2025 (46.9% of which was attributable to trade with Israel). This deficit accounted for 33.2% of GDP. It improved slightly during the year as a result of the surplus recorded in the services balance with Israel.

¹ Source of figures in this section: PCBS. (2025). Detailed Indicators of Foreign Trade in Palestine.

² Registered trade in goods refers to trade transactions recorded in clearance revenue invoices, customs records, and trade in agricultural inputs. These figures are well below the actual volume of Palestinian foreign trade.

Part Two: Economic Updates

1. Structure of Israeli Settlement in the West Bank: Stages, Components, and Institutions of the Project

The Palestine Economic Policy Research Institute (MAS) and the Arab Centre for Research and Policy Studies recently co-published¹ a reference study on settlement activity titled “The Socio-economic Cost of Settlement and its Impacts in the Occupied Palestinian Territories”. The first chapter of this study reviews the legal and ideological history and context underpinning the Israeli settlement project, tracing its evolution since 1967 and examining the legal status of Israeli settlements under international law. It conceptualizes the settlement project as a demographic structure designed to alter the geographic, demographic, and economic character of the Palestinian Territory. The second chapter reviews the latest data on Israeli settlements by examining the principal components of the settlement project and the Israeli agencies and institutions that plan, administer, and implement it. Drawing from its first two chapters, the quarterly peer-reviewed journal “Omran,” published by the Arab Centre for Research and Policy Studies, published a study titled “The Timeline, Components, and Governing Structure of Israel’s West Bank Settlement Project.” This study explores the components of the Israeli settlement project in the West Bank, its various types, and the Israeli agencies and institutions that plan, implement, and support it, in addition to the status of settlement activity under international law.

The paper is anchored in three key principles that address the profound structural nature of Israel’s settlement project in the West Bank. First, settlement activity is no longer scattered, isolated enclaves, but has evolved into an integrated, tightly interconnected system comprising more than 700,000 settlers in the West Bank and East Jerusalem, distributed across over 400 settlement sites. In addition to residential settlement units, the system includes road networks, infrastructure, industrial zones, commercial centers, and service facilities, together laying the groundwork for a comprehensive and cohesive settlement space. Second, the settlement project involves a zero-sum relationship with the Palestinian population seeking to erase and replace the indigenous population through policies of displacement, exclusion, and containment. This expansion is inherently linked to the further entrenchment of Israel’s control and the fragmentation of Palestinian society. Finally, the study argues that the project is driven by a network of government agencies, institutions, and associations, led

primarily by the religious-nationalist (Jewish-nationalist) stream, which views Palestine as the arena for realizing its “Messianic” vision. This gives the settlement project a systematic ideological dimension that extends beyond a merely circumstantial policy.

Phases of Settlement Expansion in Palestinian Territory

Settlement activity in the West Bank began during the first months of the occupation with the establishment of Kfar Etzion, near Hebron, on 27 September 1967. Since the late 1970s, settlements in the West Bank have expanded continuously and systematically. In 2023, the administrative authority was transferred to the Civil Administration, which came under the control of the extremist religious-settler movement. More specifically, the settlement enterprise has passed through four distinct phases:

- Phase I – Administration of the Occupied Territory (1967–1975):** This phase was characterized by two main patterns of settlement activity. The first pattern was top-down settlement activity directed by the occupying State through the seizure of land under military pretexts and the establishment of hybrid military-civilian settlements (also known as Nahal settlements), which were subsequently converted into permanent civilian communities. The second pattern was bottom-up settlement activity, initiated by religious settlers who established their first settlement outpost in Bethlehem (Kfar Etzion) and later expanded by establishing the Kiryat Arba settlement on tracts of land seized under military orders.
- Phase II – Likud Formalizes Official Settlement Expansion (1977–1992):** In 1978, the Israeli government adopted Matityahu Drobles’ Plan as a regional planning framework for the settlement project. Under this plan, the West Bank was divided into settlement councils with their own h. These councils were later united under a central body, the Yesha Council. Established in 1980, the Yesha Council exercises oversight over and coordinates their activities within a comprehensive settlement vision.
- Phase III – Beginning and End of the Oslo Accords (1993–2011):** At the time of the signing of the Oslo Accords in 1993, there were approximately 128 settlements in Area C, distributed across six settlement councils. During this period, settler organizations such as Nachala (established in 2005) and Regavim (established in 2006) emerged within civil society. These organizations pursued two central

¹ The Arab Center for Research and Policy Studies and the Palestine Economic Policy and Research Institute (MAS). (2025). The Socio-economic Cost of Settlement and its Impacts in the Occupied Palestinian Territories. <https://mas.ps/publications/13319.html>

objectives: exerting influence on the “deep state” to prevent the establishment of a Palestinian state, and intensifying settlement activity in the West Bank. To this end, they embarked on establishing dozens of settlement outposts, some of which received direct funding from the occupying State, despite the official position opposing the creation of new settlements.

- **Phase IV – Rise of Settlers as a Political Force (2011–2023):** This phase saw a systematic expansion of the settlement project in Area C. Settlement activity in the West Bank grew significantly, with the settler population increasing by approximately 150,000 settlers during this period.

Why Are Settlements Established?

Based on the analysis that the settlement project is a colonial project rather than merely a Jewish resettlement project, the study identifies four principal motives behind the establishment of settlements:

- **Security Settlements:** These are established under the pretext of security to create a social environment or community that supports the Israeli occupation and facilitates its control over the occupied Territory.
- **Economically-Oriented Settlements:** These settlements are established to exploit, extract, and utilise the natural resources of the Jordan Valley, and to develop profitable industrial and agricultural enterprises.
- **Social Welfare Settlements:** These settlements are established to provide “decent living conditions” and to improve the standard of living for marginalised Jewish populations. To this end, they tap into the “cheapest” land and utilise exceptional legal arrangements, thereby granting privileges to Israeli social groups that have historically experienced marginalisation or deprivation within Israel.
- **Religious-Ideological Settlements:** Deemed the predominant type of settlement activity, these are established within the framework of the call to “return to the Promised Land” and to assert Jewish sovereignty over it to realise divine redemption.

Components of the Settlement Project

The Jewish settlement enterprise is not merely a residential project. Rather, it comprises nine interrelated components that combine together as one single and functionally integrated unit designed to sustain and advance the settlement project:

- **Residential Settlements:** These constitute the most salient form of settlement activity and include 154 settlement communities of varying sizes and characteristics, all officially approved by the Israeli government. They are organised under a system of regional councils comprised of 25 settlement councils: 4 municipalities (or settlement cities), 14 local councils, 6 regional councils, and one council representing the Gaza Strip settlements (even after Israel’s withdrawal from Gaza in 2005).

- **Residential Settlements Annexed to Israel in East Jerusalem:** These settlements were annexed to Israel following the expansion of Jerusalem municipal boundaries in 1967 under the “Unified Jerusalem” Municipality, encompassing approximately 70,000 dunums of land.
- **Settlement Outposts:** These are settlements established for residential or territorial appropriation purposes, typically created in an ad hoc manner by extremist settler groups and organisations, most notably the Hilltop Youth. Although these outposts lack formal government approval, they often receive government support and funding regardless of their official status. Their number ranges from 150 to 180 outposts, although there are no precise statistics on either their total number or settler population.
- **Industrial Zones and Business Areas:** There are 35 industrial zones and shopping centres in the West Bank, all located in Area C. Most are established on land administered by the Custodian of Government Property.
- **The Separation and Annexation Wall:** Construction of the wall started in 2002. Its entire route is supposed to extend for 714 kilometres, of which 488 kilometres have been completed. Around 85% of the wall’s route penetrates deep inside the West Bank, effectively carving out vast tracts of land to expand Israeli settlements.
- **Settlement Infrastructure and Settler-only Roads:** These have been developed to facilitate settlers’ mobility and daily life and to connect settlement industrial zones with ports and border crossings. The road network has been systematically designed, on the one hand, to serve settler needs and, on the other hand, to isolate and separate Palestinian cities, towns, and villages into disconnected enclaves, completely undermining the territorial contiguity of the West Bank and significantly affecting Palestinian daily life and economic activity.
- **Land Seized and Designated as “State Land”:** Such land makes up the bulk of the land allocated for settlement expansion in the West Bank. Vast tracts of such land are de facto annexed to Israel, the occupying State, to make way for ongoing settlement expansion.
- **Control over Natural Resources:** Examples include the control of groundwater aquifers and mineral deposits.
- **Archaeological Sites, Nature Reserves, Landfills, and Waste Incineration Facilities:** There are approximately 48 archaeological and natural reserve sites in the West Bank, covering a total area of nearly 360,000 dunums. In recent years, efforts associated with the religious-ideological settlement movement have intensified to take over Area C. In 2023, the occupying State announced the identification of 2,400 Jewish archaeological sites intended to be designated as and turned into biblical heritage reserves.

Bureaucratic Structure of the Settlement Project

The fourth theme of the study examines the Israeli institutions and agencies responsible for administering, expanding, and consolidating the settlement project. It provides a detailed account of the functions of each agency, emphasising the centrality of the occupying State's institutions as key instruments in sustaining settlement growth and expansion. The study argues that these institutions exercise extensive control over Palestinians' lives through a series of decisions, regulations, and orders issued by the State's bureaucratic apparatus.

- **Israeli Military Institutions and Agencies:** The Israeli Military Central Command serves as the supreme governing authority in the occupied West Bank. The Commanding Officer of the Central Command is akin to a supreme ruler in the occupied Territory, exercising legislative powers (through military orders, which serve as a source of legislation), judicial powers (through the military courts), and executive powers (through the Civil Administration). The Central Command comprises five main components, most importantly the Civil Administration, a subordinate military-civilian body operating under the "Coordinator of Government Activities in the Territories" (COGAT). The Civil Administration oversees a wide range of functions, including construction and development, the declaration of state land, enforcement of demolition orders and violations, and various aspects of the daily administration of Palestinian life, such as environmental affairs, archaeology, employment, and welfare. The principal executive arm of the Civil Administration is the Higher Planning Council (HPC), responsible for zoning in the West Bank, including approving expansion and master plans, and handling licensing procedures. Other executive arms of the Civil Administration include the Central Supervision Unit, responsible for monitoring and enforcing regulations against unlicensed Palestinian construction, as well as matters concerning the environment and the extraction of natural resources. They also include the Custodian of Government Property and the Commissioner of Abandoned Property, which serves as the unit responsible for transferring ownership of Palestinian land to Israelis pursuant to the Absentee Property Law, paving the way for the establishment of settlements. Another executive arm of the Civil Administration is the Land Demarcation Committee, which identifies and delineates lands classified as Israeli government property based on the areas designated as "state land" in the West Bank.
- **Organizations of Religious Zionist Movements:** These organizations serve as a fundamental pillar of the settlement project. The movement links the ultranationalist (Torah-based) agenda with politics, arguing that political intervention is essential to achieving Jewish sovereignty. Since 2024, the newer generation of the Religious Zionist Movement has become the most active and ideologically hardline. Key religious Zionist organizations include the "Yesha Council", which seeks to promote settlement expansion, represent settlers' interests, and defend the legitimacy of the settlement project. They also include the "Amana Settlement Organization", which is involved in settlement construction projects in the West Bank, promotes settlement activity, and plans and provides support to new settlements. Another religious Zionist organization is "Regavim," which focuses on documenting what it characterizes as "illegal" Palestinian construction. Another organization is the "Hashomer Yosh," whose name means "the Guardian of Judea and Samaria". Established in 2013, this organization supports settler farmers and is deemed the most important organization supporting pastoral settlement in the West Bank.
- **Israeli Government:** The Israeli government has played a role beyond providing financial support and infrastructure, extending to pursuing explicit annexation policies aimed at bolstering Israeli sovereignty over the West Bank in the long term. Recent years, particularly under the Netanyahu government, have seen major changes in the government's role. These include a power-sharing agreement, which delineates the division of powers and responsibilities within the Ministry of Defense between Bezalel Smotrich and Yoav Gallant, granting Smotrich substantial governing authority over settlement administration and many aspects of settlers' daily lives, thereby reinforcing their presence in the West Bank. This transformation included the creation of a separate "Settlement Administration" unit within the Ministry of Defense and the further expansion of settlement infrastructure to strengthen the settlement project in the West Bank.
- **Israeli Supreme Court:** The court has been playing a key role in the enactment of laws that enshrine settlement activity in the West Bank since 1967.

2. Rising Women's Participation in the Palestinian Labour Market: Reasons and Indications

The low rate of women's participation in the labour force is a striking feature of the Palestinian labour market, even compared with other Arab countries, where rates are also low. This disparity conceals complex internal dynamics, as the rate of female participation in the labour market in Palestine has exhibited a gradual upward trend over recent decades (see Figure 1). Nevertheless, participation rates remain below both regional and global levels. This upward trend raises a fundamental question concerning its underlying nature: Does this upward trend reflect a genuine structural transformation in the labour market? Or is it merely a temporary response to economic and political pressures?

The increase in Palestinian women's labour force participation could be accounted for by two main factors. The first is what the economic literature refers to as the "Added Worker Effect". The second is the relative expansion of public employment, particularly in the education sector, which has increased demand for women's labour.

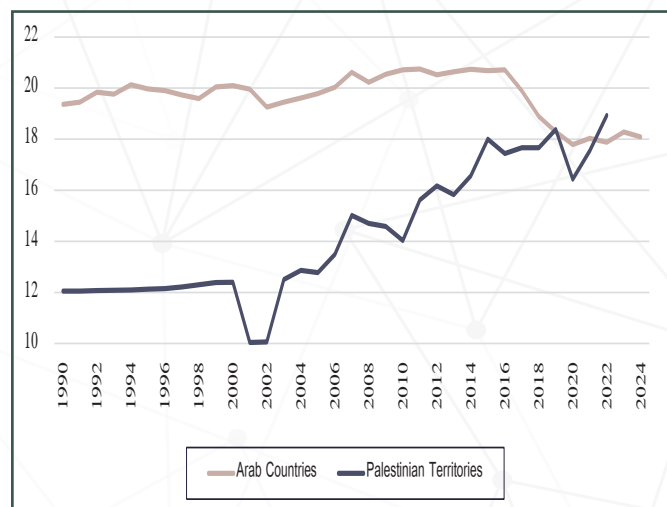
Added Worker Effect

The Added Worker Effect refers to the entry of women, especially married women, into the labour market in response to the deterioration of household income due to economic shocks or the loss of the breadwinner. This pattern has been widely documented in contexts of crisis. In the Palestinian case, this effect is clearly linked to the repercussions of the Second Intifada, which led to a decline in employment opportunities and rising unemployment rates, particularly among males, due to movement restrictions and the reduction of job opportunities inside Israel. Accordingly, part of the increase in women's participation in the labour force does not necessarily reflect improvement in their economic empowerment, but rather serves as an expression of coercive response to living pressures. This interpretation is supported by literature suggesting that this pattern of participation is often associated with economic vulnerability rather than constituting a sustainable structural transformation.¹

Role of Increased Demand

On the other hand, the demand side has played an important role, particularly through the expansion of the public sector, which has become the main employer in light of the private sector's limited capacity to generate sufficient employment opportunities. The education sector, in particular, stands out as one of the key channels for the absorption of female labour, given its

Figure 1: Female Labour Force Participation Rate (Aged 15 Years and Above)



Source: [ILO Modelled Estimates database \(ILOEST\)](#),
[International Labour Organisation \(ILO\)](#)

relative stability, its partial compatibility with prevailing social roles, and the expansion of the education system alongside increased demand for female teachers. Empirical evidence indicates that this expansion of the education sector, rather than broad economic growth, has been the primary driving force behind the growing demand for educated women. This helps explain the persistence of high unemployment among women despite the modest increase in employment opportunities, as job creation remains concentrated in a limited number of sectors.²

Effect of the Life-Cycle on Female Employment

To gain a more in-depth understanding of the dynamics of female employment, recent studies have relied on the Age-Period-Cohort (APC) methodology. This methodology allows for disentangling the effects of age (life cycle) and cohort (generation) on the labor force participation of women. The findings indicate that the labour force participation of women has a traditional life-cycle pattern. In fact, the participation rate is particularly low for young women due to their enrollment in education at this age. It is higher for women in their middle ages, whereas it is low for women in old age. However, this pattern masks important differences even within the same age cohorts, reflecting the influence of broader institutional and economic factors.³ In other words, labour force participation of women cannot be accounted for solely through life-cycle dynamics; rather, it should be viewed as the outcome of a complex interplay of economic conditions, political shocks, and social transformations.

² Fallah, B., Bergolo, M., Saadeh, I., Abu Hashhash, A., & Hattawy, M. (2021). The effect of labour-demand shocks on women's participation in the labor force: Evidence from Palestine. *Journal of Development Studies*, 57(3), 400–416. <https://doi.org/10.1080/00220388.2020.1806246>

³ Lassassi, M., & Tansel, A. (2022). Female labor force participation in Egypt and Palestine: An age-period-cohort analysis. *Review of Development Economics*, 26(4), 1997–2020. <https://doi.org/10.1111/rode.12908>

¹ Hallaq, S., & Daas, Y. (2024). Exploring factors and disparities: Female labor force participation in the Palestinian regions. *Forum for Social Economics*, 54(3), 293–316.

Supply-Side Role

Demographic and social changes, such as higher levels of female education, later marriage, and the decline in fertility rates, have contributed to increasing women's readiness to enter the labour market. However, while important, these factors are insufficient on their own to explain the overall trend without considering demand-side constraints. This is where the so-called "MENA paradox" in the literature becomes relevant: rising levels of female educational attainment do not translate into a proportional sufficient expansion of employment opportunities, leading instead to higher unemployment or withdrawal from the labour force. Although the expansion of the public sector has partially mitigated this paradox, it remains a limited and unsustainable solution in the long run.⁴

⁴ Assaad, R., Hendy, R., Lassassi, M., & Yassin, S. (2020). Explaining the MENA paradox: Rising educational attainment, yet stagnant female labor force participation. *Demographic Research*, 43, 817–850. <https://doi.org/10.4054/demres.2020.43.28>

3. MAS Examines Economic and Social Rights in the Draft Interim Constitution of the State of Palestine

MAS convened a roundtable discussion on the issue of economic and social rights in the Draft Interim Constitution of the State of Palestine. The following is a summary of the paper developed to serve as a platform for discussion.

• Introduction

Recent decades have seen a notable expansion in the recognition of second-generation rights and freedoms, encompassing economic and social rights such as the right to work, education, health, housing, and social protection. Unlike first-generation civil and political rights, second-generation rights require the State to undertake positive measures to ensure that they are enjoyed by all individuals, including the enactment of policies, the allocation of resources, and the development of the institutional infrastructure necessary for their implementation.

The 2026 Draft Interim Constitution of the State of Palestine adopts a more inclusive and progressive approach to economic and social rights. It expands the scope of these rights and introduces new rights that had not previously been provided for in explicit provisions, including the right to health, including mental health, the right to water, and the right to practice sports. It reinforces constitutional protections for persons with special needs, including children and persons with disabilities, in such a way that reflects an explicit adoption of the model of the social State grounded in justice and human dignity. The expansion of the scope of such rights raises an important question: To what extent does the Draft Interim Constitution of the State of Palestine offer effective and

Conclusion

Accordingly, the increase in the rate of female participation in the labour market in Palestine does not reflect a fully developed structural transformation. Rather, it is the result of interaction between economic pressures that have pushed women into the labour market on the one hand, and limited sector employment opportunities—mainly in the public sector—on the other. This situation poses a real challenge to economic policies: the need to transition away from a public-sector-driven employment model toward a more diversified and dynamic model capable of generating sustainable employment opportunities in the private sector. Such a transition is essential to absorb the growing supply of women's labour and bring about genuine economic empowerment.

enforceable constitutional guarantees for economic and social rights and freedoms when compared with the Palestinian Basic Law, international standards, and comparable constitutions?

• Variation in the Level of Protection of Rights in the Draft Interim Constitution Compared with the Palestinian Basic Law

- Explicit Recognition of Rights: The 2026 Draft Interim Constitution contains clear and detailed provisions on economic and social rights, in contrast to relevant provisions in the Amended Palestinian Basic Law of 2003, which establishes some generic provisions on these rights and leaves the task of fleshing out such provisions in more detail to ordinary lawmakers.
- State Obligations and Implementation Mechanisms: The Draft Interim Constitution goes beyond merely recognizing economic and social rights by linking them to constitutional obligations that are executive in nature and require the State to take the necessary measures to realize such rights. In some cases, the State realizes such rights on a gradual basis through the adoption of fair social and economic policies. This is reflected in practical examples such as vocational training programs, as well as the provision of housing for low-income groups.
- Newly Acknowledged Rights: The Draft Interim Constitution introduces several new rights that were not explicitly provided for in the Basic Law. Such rights include the right to water, the right to

mental health, and the right to practice sports.

- **Strengthening and Guiding Economic Rights:** The Draft Interim Constitution reorganizes economic rights by maintaining existing guarantees, such as the freedom of economic activity and the protection of private property in return for fair compensation, while introducing new elements that reinforce the social dimension of the economy. Most notably, it prohibits monopoly over essential goods and services and links the economic system to the principles of mixed economy and social justice.
- **Emphasis on Social Justice and Sustainable Development:** The Draft Interim Constitution reinforces an overarching orientation based on the furtherance of social justice and sustainable development by linking several economic and social rights to public policies.

- **Comparison with Constitutions in Other Countries**

The Draft Interim Constitution of the State of Palestine exhibits a notable degree of consistency with the fundamental rights and liberties provided in the International Covenant on Economic, Social and Cultural Rights (ICESCR). In particular, it incorporates a broad range of fundamental rights, including the right to work, the right to education, the right to health, the right to housing, and the right to water, and links them, at least in part, to constitutional obligations imposed on the State.

When compared with the national constitutions of selected countries, it is clear that the Draft Interim Constitution of the State of Palestine shares with the Constitution of South Africa a clear articulation of social rights. However, it falls short in terms of judicial enforcement mechanisms, as it lacks the advanced legal mechanisms that allow citizens to directly prosecute the State to secure the realization of economic and social rights. This represents a clear gap in judicial accountability when compared with the Constitution of South Africa. Moreover, economic and social rights in the Draft Interim Constitution of the State of Palestine are scattered throughout multiple provisions and do not exhibit the systematic sequence characterizing the Constitution of South Africa, where such rights are consolidated within a coherent and integrated chapter and arranged thematically. This consolidated structure in South Africa's Constitution enhances clarity of implementation and holds the State to its obligations towards citizens.

Concerning the Egyptian experience, Egypt's Constitution of 2014 (as amended in 2019) offers an advanced model in terms of constitutionally mandated financial obligations. Its provisions provide for the allocation of minimum percentages of government expenditure for health, education, tertiary education, and scientific research. For instance, the State shall allocate a percentage of government expenditure that is no less than 3% of GDP for health, and that is no less than 4% of GDP for education. While the Draft

Interim Constitution of the State of Palestine refers to these financial obligations (allocation of resources to education and scientific research), these references remain broad in nature and do not stipulate clear, legally binding expenditure thresholds.

- **Key Gaps on Economic and Social Rights in the Draft Interim Constitution of the State of Palestine**

- **Poor Judicial Enforcement and Accountability Mechanisms:** The mechanisms for the direct judicial enforcement of economic and social rights still need to be further clarified in the Draft Interim Constitution. In many cases, citizens' ability to have recourse to the justice system depends on the enactment of legislation regulating procedures and jurisdictions, which may practically limit the effectiveness of litigation aimed at enforcing these rights.
- **Need to Reinforce and Determine Constitutional Financial Obligations:** The provisions of the Draft Interim Constitution do not clearly and sufficiently define the financial obligations associated with economic and social rights. In particular, they fail to establish binding thresholds for expenditure or precise mechanisms for allocating public resources.
- **Weak Connection between Rights and Development Policies:** The connection between economic and social rights, on the one hand, and the formulation of development policies and plans, on the other, still needs to be more systematically and clearly articulated. It should be articulated in such a way that ensures these rights are integrated into long-term economic and social plans in a balanced and equitable manner. The absence of such connection may result in fragmented or incomplete realization of these rights.
- **Difficulty in Distinguishing Economic Rights from Ambitions:** The Draft Interim Constitution does not always clearly connect rights with the institutional and executive obligations, making it difficult to distinguish between justiciable rights and broader political or economic orientation. For example, Article 41 of the Draft Interim Constitution offers a model of a mixed economy linked to social justice, but it fails to clearly identify the individual justiciable rights. Consequently, the provision appears closer to a statement of general political or economic objectives than to practically enforceable rights. In addition, economic and social rights are scattered across multiple non-sequential provisions, making it more difficult to gain an understanding of the whole spectrum of rights and connect it to enforcement policies.
- **Distinguishing Binding Rights from Overall Policies:** Certain rights, such as the right to health, the right to education, the right to environment, and the rights of persons with disabilities, require multi-actor coordination. However, the current constitutional provisions do not define the detailed responsibilities of executive agencies or oversight bodies, constraining the realization of rights in practice.

• Recommendations

- **Enhancing the Clarity and Formulation of Economic and Social Rights:** Redrafting the provisions of the Draft Interim Constitution could improve their clarity and comprehensiveness. Such a redrafting should clearly define the scope of each economic and social right, the entity responsible for its enforcement, and the expected timeframe for its realization. This includes newly recognized rights such as the right to health, the right to mental health, the right to physical activity, and the right to education. This requires a clear distinction between justiciable rights and ambitious objectives and policies, thereby ensuring the effective realization and protection of citizens' rights.
- **Linking Economic and Social Rights to Development Policies and National Plans:** Economic and social rights should be incorporated into future national public-sector strategies and linked to sustainable development plans and performance indicators. This includes developing both quantitative and qualitative indicators to evaluate progress in the realization of rights.
- **Developing Accountability and Judicial Enforcement Mechanisms:** In an ideal constitution, specialized judicial and administrative bodies should be established to ensure the effective enforcement of economic and social rights. Citizens and civil society organizations (CSOs) shall be empowered to submit direct complaints when these rights are violated.
- **Strengthening Constitutional Financial Obligations:** The Draft Interim Constitution should include binding provisions that establish specific percentages of the public budget to be allocated to vital sectors associated with social rights, such as health, education, and affordable housing for the lower-income groups. Effective oversight mechanisms must also be established to ensure that public resources are utilized efficiently and effectively, with funding linked to the achievement of performance indicators across various sectors.
- **Distinguishing Economic Freedoms from Social Rights:** A structural distinction should be made between economic freedoms and social rights in terms of their legal nature and mechanisms of protection. Such a distinction would enhance the clarity of the constitutional rights structure without the need to include ideological formulations, and help determine the scope of each category of rights without conflating one with the other.
- **Clarifying Institutional and Organizational Responsibilities and Coordination Mechanisms:** The Draft Interim Constitution should clearly identify the entity responsible for the enforcement of each right, whether a ministry, an independent commission, or an oversight body. It should also establish multi-stakeholder coordination mechanisms, when necessary. This is particularly important in areas such as health, education, environment, and the rights of persons with disabilities.

4. Depreciation of the Value of the US Dollar with respect to the Shekel: Reasons and Economic Implications

This section of the Quarterly Economic Monitor seeks to monitor the impacts of the depreciation of the US dollar on the Palestinian economy, alongside the impacts of the appreciation of the Israeli Shekel on the Israeli economy. It also seeks to tackle the growing threat to the Palestinian economy resulting from the loss by the US dollar of its dominance as the premier international hard currency, and the implications of the rise of alternative currencies competing with the US dollar in international trade financing, global financial transactions, and the accumulation of reserves by central banks.

Implications of the US Dollar's Depreciation

The recent depreciation of the value of the US dollar has renewed questions about whether the US dollar is beginning to lose its status as the premier international currency due to the US administration's policies and broader geopolitical shifts in the international arena. In February 2026, the US dollar fell to its lowest level in four years against a basket of major currencies (see Figure 1).

Figure 1: US Dollar Index Against Six Major Currencies, 2022–2026 (Percentage Points)



Guardian Graphic Source: LSEG. Note. US Dollar Index measures the value of the dollar against six major currencies.

This decline followed a series of geopolitical shocks arising from unpredictable US policies and the continued rise in US public debt, developments that heightened investor concerns and encouraged a shift toward investing in safe-haven assets such as gold and other precious metals.

The value of the US dollar is determined by the market forces of supply and demand, like any other financial asset. Owing to the historical stability of the US economy, the dollar has become the world's leading reserve currency and a safe-haven asset, particularly during periods of crisis. This status has enabled it to maintain its dominant position as the world's leading hard currency for decades. This position has been reinforced by supportive economic policies and historically favorable political institutions. Several analyses have examined the causes of the US dollar's current depreciation. These can be summarized as follows:

- **Wave of Bond Sell-Offs:** US government bonds have come under mounting pressure following a strong wave of sell-offs in recent months, which has likely been driven by China.
- **Interest-Rate Cuts:** After two years of interest-rate raises aimed at countering inflation triggered by the COVID-19 pandemic and the outbreak of the war in Ukraine, the Federal Reserve began reducing interest rates in mid-2024. This contributed to a decline in investor interest in US financial markets and reduced demand for the dollar.
- **Inflation Concerns and Rising Anxiety over US Public Debt:** The upward trend of US public debt, coupled with fluctuating US policies, has weakened the confidence of investors and central banks in the US dollar as a safe asset. This erosion of international confidence has also affected the status of US Treasury securities as entirely risk-free assets.
- **Growing Concerns over Protectionist Policies and Tariffs in the US:** The imposition of high tariffs by the Trump administration has sparked strong reactions in global trade markets and increased market concerns over the health of the US economy. As a result, international investors have sought to diversify their portfolios and shift part of their holdings toward other foreign currencies.

Has the US Dollar's Status as a Global Reserve Currency Eroded?

Given the acute domestic challenges facing the US dollar, including rising public debt, a persistent balance of payments deficit, inflationary risks, and the depreciation of the US dollar itself, all of which appear inconsistent with the characteristics associated with a leading reserve hard currency, an important question arises: Has the US dollar been eroded as the world's premier reserve currency? And is its status likely to erode, particularly amid growing calls for the adoption of an international

reserve currency that complements or even supplant the dollar in global markets?

There are four main indicators used to measure the relative importance of international reserve currencies. They are listed as follows: an international reserve currency's share of central banks' cash reserves; its percentage in the settlement of international trade transactions; its share of global foreign exchange trading; its contribution to international lending and bond markets.

Focusing on the first indicator, central banks worldwide hold reserves in US dollars, primarily in the form of US Treasury securities. They use such reserves to manage exchange rates, settle trade transactions, service external debt obligations, and provide protection against financial shocks. Data published by the International Monetary Fund (IMF) indicates that the US dollar continues to maintain its unchallenged status as the dominant global reserve currency. It accounts for approximately 57% of international reserves, 88% of global foreign exchange transactions, and 54% of global trade (see Table 1).

Table 1: Distribution of Official Global Foreign Exchange Reserves by Currency, by Quarter, 2024–2025 (Percentage)

Currency	2024		2025			
	Q3	Q4	Q1	Q2	Q3	Q4
US dollar	57.93	58.52	58.52	57.08	56.93	56.77
Euro	19.16	18.92	19.12	20.28	20.36	20.25
Chinese Yuan (Renminbi) (RMB)	2.12	2.06	1.96	1.98	1.92	1.95
Japanese Yen	5.63	5.62	5.73	5.64	5.81	5.78
British Pound (GBP)	4.85	4.60	4.61	4.72	4.47	4.41
Australian dollar (AUD)	2.24	2.04	1.99	2.06	2.06	2.03
Canadian dollar (CAD)	2.75	2.83	2.63	2.63	2.66	2.49
Swiss Franc (CHF)	0.18	0.19	0.19	0.18	0.18	0.19
Other Currencies	5.14	5.23	5.24	5.44	5.61	6.13

Source: <https://data.imf.org/>

Despite the decline in the US dollar's share across these three indicators, particularly with respect to central banks' cash reserves, available reports suggest that this decline is not attributable to a collective trend to ditch the US dollar, the so-called de-dollarization trend. Rather, it is largely attributable to exchange-rate fluctuations.¹ The stable "dominance of the US dollar" is attributable to the absence of a strong competitive alternative. Neither the Euro nor the Chinese Yuan has thus far succeeded in attracting a substantially larger share of global reserves.

¹ [Is the US dollar's reserve currency status eroding? | Brookings](#)

The difficulty of replacing the US dollar in the foreseeable future stems from several enduring advantages, namely its unparalleled global liquidity, the liquidity of US financial markets, the openness of the US economy to trade and investment, and the longstanding confidence placed in US institutions.

Repercussions of the US Dollar's Depreciation

The US dollar continues to maintain its dominant role in invoicing nearly half of global trade as well as its position as the principal currency for international economic transactions. Nevertheless, a depreciation in the US dollar could have significant adverse effects on the global economy. These effects can be summarized as follows:

- **Exacerbation of Inflationary Pressures in Import-reliant Countries:** Countries that rely on imports and whose currencies are pegged to the US dollar are likely to experience increases in domestic prices for goods and services as the dollar depreciates.
- **Erosion of the Value of Cash Foreign Currency Reserves:** Central banks holding substantial US dollar-denominated reserves may experience a noticeable decline in the real value of these assets. This decline can undermine the fiscal solvency of such countries and reduce the central banks' capacity to intervene to protect the exchange-rate stability of their respective national currencies or respond effectively to emergency crises.
- **Instability of Commodity Markets:** Since commodities such as oil, gold, and wheat are globally priced in US dollars, fluctuations in the dollar's value can render such commodities vulnerable to volatile swings and instability in domestic currencies. Such instability not only affects both producers and consumers, but also can hamper long-term economic planning capacity, particularly concerning securing food and energy supply chains. For oil-exporting countries, a weaker US dollar will have a particularly adverse impact, as their exports are priced in dollars, potentially eroding the real value of public budgets.
- **Disruptions to Capital Flows in Emerging Markets and Increased Cost of Servicing and Repaying Dollar-denominated Debts.**

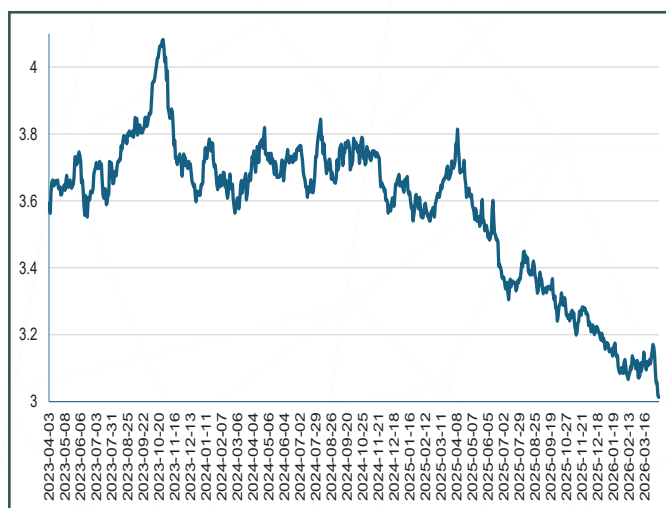
Regarding the potential repercussions of a weaker dollar on the US economy, numerous analyses suggest that dollar depreciation is a double-edged sword. On the one hand, the depreciation of the US dollar can generate several positive implications. It could increase the competitiveness of US exports and stimulate international demand for them, contributing to reducing the trade deficit and increasing employment levels. A weaker US dollar may rejuvenate the tourism sector by making the United States a more attractive and affordable destination for foreign visitors. In addition, US multinational corporations can benefit from a weaker dollar because profits earned abroad would increase when converted from foreign currencies into depreciated US dollars, thereby boosting earnings.

On the other hand, dollar depreciation has adverse repercussions. A weaker dollar raises the cost of imports, leading to higher prices for consumer goods and primary materials. This, in turn, can result in higher inflationary pressures. A surge in inflation rates could compel the Federal Reserve to pursue a rigorous monetary policy, with potentially adverse consequences for economic growth and employment. Furthermore, the US dollar's rapid and disorderly decline over the medium to long term may send a negative signal to investors, which may lead to the gradual erosion of confidence in the US dollar as a safe-haven asset - a status that constitutes one of the principal mainstays of the significant gains made by the US economy.

Shekel and the Dollar: A One-Way Relationship

Figure 2 offers a quick overview of the evolution of the US dollar's exchange rate to the Shekel over the past three years, a period marked by the Israeli war on Gaza and military confrontation involving Iran and Lebanon. The figure illustrates a continued downward trend in the US dollar's exchange rate to the Shekel or, conversely, a sustained appreciation of the Shekel over the period. Approximately one month after the outbreak of the war against Gaza, the value of the Shekel plunged to an all-time low against the US dollar, with the exchange rate reaching around NIS 4.081 per US dollar. However, the Shekel quickly recovered to its pre-war value, returning to approximately NIS 3.6 per US dollar by the end of 2023.

Figure 2: Evolution of the USD/ NIS Exchange Rate (April 2023–April 2026)



Source: Bank of Israel's database (2025).

<https://www.boi.org.il/en/economic-roles/financial-markets/exchange-rates/>

During 2024 and the first half of 2025, the Shekel remained relatively stable against the US dollar, aside from typical periodic fluctuations. However, after mid-2025, the Shekel appreciated sharply, reaching approximately NIS 3.31 per US dollar in July. The Shekel continued an upward trend through the remainder of 2025, ending the year at around NIS 3.18 per US dollar.

With the outbreak of the most recent confrontation with Iran, the Shekel continued to post gains. With the entry into force of the temporary ceasefire in early April 2026, the Shekel reached its highest level against the US dollar in 30 years. By mid-April, it had broken the threshold of NIS 3 per US dollar.

Factors Behind the Paradox

Economics literature predicts that wars result in the weakening of a country's national currency due to capital flight and heightened risks. However, the Israeli Shekel has defied this conventional rule. Despite the ongoing military pressures since October 2023, the Shekel did not collapse; rather, it regained strength and reached a record high against the US dollar not seen in decades. As explained in Issue No. 81 of the Economic Monitor, this paradox can be explained by the unique status of the Israeli economy, particularly the relative disconnect between the external balance of the Israeli economy and domestic reality. Whereas the external balances of economies are closely tied to internal economic performance, Israel's external balance has continued to evolve independently of local economic and geopolitical shifts.²

Even though the war dragged on, the Israeli economy was able to bolster its balance of payments through various external revenue inflows, most notably the issuance and sale of government bonds abroad and substantial investments by major global technology companies. High interest rates have also played a role in attracting foreign capital inflows. Furthermore, Israel's independence in energy and export of natural gas (particularly from the Leviathan and Tamar gas fields) have provided further support to the balance of payments. The year 2025 also witnessed two outstanding developments that contributed to increased demand for the Shekel. First, net foreign investments in Israel surged, climbing from approximately USD 25 billion in 2024 to USD 39 billion in 2025.³ Second, major investment corporations in Israel, such as pension funds and insurance companies, sold foreign assets worth approximately USD 13.3 billion during the fourth quarter of 2025. The asset sell-off was driven by strategic hedging purposes aimed at avoiding losses associated with the depreciation of US dollar-denominated assets relative to the Shekel.⁴

Impact of Shekel Appreciation on the Israeli Economy

As is the case, the appreciation of the Shekel against the US dollar has both positive and negative effects on the Israeli economy. On the one hand, a stronger Shekel reduces the prices of imports expressed in US dollars, thereby helping to restrain inflation and keep it within the target range set by the Bank of Israel (1%-3%). On the other hand, the appreciation of the Shekel has negative effects on Israeli exporters, leading to the erosion of

profits of investments abroad when converted from US dollars into Shekels. Nevertheless, Israeli exports are not expected to suffer dramatically, given that a large share consists of high-technology products and services, such as cybersecurity solutions and defense technologies. This does not mean, however, that Israel's high-tech companies, which employ approximately 10% of the country's workforce and constitute one of the largest sources of tax revenues, will remain unaffected. High-tech companies face a particular dilemma because they generate much of their profits in US dollars while paying relatively high salaries and covering most operating expenses in Shekels.

In a similar vein, while exports of software, cybersecurity, and defense services continue to benefit from a degree of relative protection, Israel's manufacturing sector has been experiencing a noticeable decline. Data from the Israel Central Bureau of Statistics (ICBS) indicate stagnation in industrial exports alongside their growing concentration among a small number of exporting firms. The five largest exporting companies now account for approximately one-quarter of total industrial exports, compared with approximately 20% in 2020. This growing concentration of industrial exports has extremely dire consequences for the export sector and the broader economy, particularly if one of these major firms falters. Some local economic reports suggest that the Bank of Israel is unlikely to intervene in the foreseeable future in foreign exchange markets to artificially weaken the Shekel by large-scale purchases of US dollars or interest-rate cuts. Such intervention could infuriate the US Administration, which views intervention in foreign exchange markets aimed at influencing exchange rates as an "unfair trade practice" and could place countries engaging in such actions on the "black list".⁵

Impact of the Change in the US Dollar-Shekel Exchange Rate on the Palestinian Economy

Changes in the US dollar/ Shekel exchange rate and the ensuing uncertainty will affect the performance of a range of economic indicators in the Palestinian Territory. These effects are not confined to the purchasing power of individuals earning in US dollars, but will hit the competitiveness of Palestinian exports in international markets and the public finances of the Palestinian government.

• Effect on Income and Expenditure

The depreciation of the exchange rate of the US dollar against the Shekel causes income erosion for individuals earning in US dollars but spending most of their income in Shekels. The erosion of the purchasing power of such individuals becomes even more pronounced when accompanied by rising inflation. In 2025, the average US dollar/Shekel exchange rate declined by approximately 6.8% compared with the previous year, while the inflation rate increased by

² https://mas.ps/cached_uploads/download/2025/09/24/q81-arb-2025-1758713821.pdf

³ <https://en.globes.co.il/en/article-shekel-at-30-year-strongest-against-dollar-1001539854>

⁴ Ibid.

⁵ Ibid.

10.5%. Taken together, these developments imply a decline in the purchasing power of the US dollar of roughly 17.3% during 2025. It is worth noting that the reduction in purchasing power varied remarkably across regions. In the West Bank, the decline stood at around 6.7%, whereas in the Gaza Strip it reached approximately 28.6%.

In terms of expenditures, a weaker US dollar increases the burden of expenses denominated in Shekels, while obligations denominated in US dollars, such as loans and housing rents, remain stable and largely unaffected. Meanwhile, the appreciation of the Shekel may contribute to lowering the prices of imports denominated in US dollars, reducing the prices of some imports in local markets and easing inflationary pressures. However, the extent of this effect depends on price shifts in the Israeli market, as well as the degree of competition among importers and traders in the Palestinian market. In such a case, losses in the purchasing power of individuals earning in US dollars and spending in Shekel may be partially offset if the rate of the decline in prices exceeds the rate of the depreciation of the US dollar.

- **Export Competitiveness**

Exports to Israel account for the largest share of total Palestinian exports, with approximately 90% of Palestinian exports destined to Israel in 2025. Consequently, changes in the exchange rate of

the US dollar to the Shekel are not expected to have a significant impact on the competitiveness of Palestinian goods in the Israeli market. Nevertheless, a modest positive effect may arise through improved competitiveness of Palestinian goods in international markets, particularly in countries whose currencies are pegged to the US dollar, such as Jordan and the Gulf States.

- **Impact on the Public Budget**

Changes in the exchange rate of the US dollar to the Shekel have an important effect on the public budget. A significant share of foreign aid to the Palestinian government is denominated in US dollars, whereas the vast majority of government expenditures, including public employees' salaries and other operating expenses, are paid in Shekels. As a result, a weaker US dollar constrains the government's capacity to fulfil its financial obligations, particularly in light of the sharp decline in clearance tax revenues. In addition, the impact of exchange-rate changes on imports from the outside world will ultimately affect the value of clearance tax revenues due to the Palestinian government.

On the other hand, the depreciation of the US dollar reduces US dollar-denominated external debt when measured in Shekels. In 2025, US dollar-denominated external debt accounted for approximately 28.4% of total public debt, equivalent to around USD 1.4 billion.

5. The World Bank and the “Board of Peace”

During a meeting with a host of Palestinian businessmen and academics via video conference, a representative of the World Bank delivered a presentation on the role the World Bank has played and continues to play in financing development projects in Palestine. The following is a summary of the main points of the presentation, with particular emphasis on the relationship between the World Bank and the Board of Peace.

- Since 1993, the World Bank has allocated approximately USD 1.87 billion to the Palestinian Territory, including recent transfers amounting to USD 300 million to address urgent economic needs. The Trust Fund for Gaza and West Bank is funded through the excess balance in the current portfolio valued at approximately USD 1 billion, including USD 230 million in co-financing. Historically, the World Bank distributed funding equally between the Gaza Strip and the West Bank. However, World Bank operations in Gaza have been brought to a halt since November 2023.
- The Gaza Rapid Damage and Needs Assessment estimates the recovery and reconstruction needs in the

Gaza Strip at approximately USD 71.5 billion, including approximately USD 11 billion for immediate needs, USD 17 billion for the recovery of essential services over 18 months, and USD 43 billion for reconstruction needs over a period of three to five years.

- To this end, the Financial Intermediary Fund for Gaza Reconstruction and Development (FIF) was established to pool the necessary international resources. The FIF is subject to the authority of the Board of Peace. The World Bank only serves as a limited financial trustee for the FIF, while the Board of Peace and its affiliated coordination bodies assume responsibility for implementation decisions. The World Bank undertakes a supportive advisory role in this regard, despite the operational uncertainty prevailing in the FIF's institutional structure.
- Participating countries channel their financial contributions through the Board of Peace, reinforcing the latter's central role in financing Gaza reconstruction. The Board of Peace exercises control over funding decisions and beneficiary selection, while the World Bank manages liquidity and disbursements in

accordance with instructions received from the Board of Peace. Although the World Bank offers technical advice, it is not responsible for operational decisions or fiduciary oversight of reconstruction funds.

- The Board of Peace sets up banking arrangements independent of the World Bank's operations. It has already opened a dedicated JPMorgan bank account. However, the Board of Peace's institutional financial arrangements are still in the process of being established and have not yet been finalized.
- Approximately USD 40 million of the appropriations allocated to independent UN bodies, such as the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), and the World Health Organization (WHO), has been redirected toward emergency relief efforts in the West Bank and Gaza. The World Bank focuses on rehabilitation and reconstruction efforts, leaving emergency relief activities to humanitarian agencies. It collaborates with the European Union (EU) and the UN to plan reconstruction, in line with the Palestinian Authority's (PA) strategies and programs endorsed by the League of Arab States (LAS). The World Bank's sector revitalization operations take into account the interdependence among sectors and set priorities based on the findings of the Gaza Rapid Damage and Needs Assessment.
- Coordination with new governance structures is critical for the effective management of funds and project implementation. However, the exact configuration of these new governance structures remains completely unclear. The emerging governance structures in Gaza create hurdles and complexities in the path of the World Bank's engagement and relations with counterparts. Nevertheless, institutional coordination for the World Bank's activities in the West Bank is still conducted through the PA. This means that while the PA remains the official counterpart of the World Bank in the West Bank, the National Committee for the Administration of Gaza (NCAG) is recognized as the counterpart responsible for coordinating the World Bank's operations in the Gaza Strip.
- The executive capacity of the NCAG remains vague. The NCAG is likely to rely on pre-war public employees in Gaza, but this has not yet been confirmed. The World Bank has been cautious about the establishment of parallel institutions and stressed the importance of drawing lessons from comparable regional experiences. Legal deliberations are currently underway regarding the division and allocation of project approval and coordination roles among the PA, the Board of Peace, and the NCAG.