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This book is dedicated to the people of Palestine, whose steadfastness, resilience, and unwavering pursuit of dignity and justice continue to inspire the world—especially to the people of Gaza, who endure immense suffering with remarkable courage, and to the academic community of Palestinian universities, whose commitment to knowledge, education, and national service under extraordinarily difficult circumstances stands as a testament to the power of learning as an act of resistance and hope.

Finally, we are deeply indebted to our parents, siblings, and friends for their unwavering encouragement, patience, and prayers throughout the writing of this book. Their support has been a constant source of strength and inspiration.

Preface

P1 Introduction to the Gaza Strip

The Gaza Strip, a narrow coastal enclave of approximately 365 square kilometers, stands as one of the most densely populated territories in the world, home to over 2.3 million people as of 2025 (PCBS, 2025). Once a thriving hub of agriculture and small-scale industry, Gaza has endured decades of occupation, blockade, and recurrent military assaults that have systematically dismantled its economy, infrastructure, and social fabric. Since 2007, Israel's comprehensive land, air, and sea blockade has imposed near-total control over Gaza's borders, movement of goods and people, and access to essential resources, effectively isolating the territory from the global economy (UNCTAD, 2023; Roy, 2016).

This blockade, coupled with periodic large-scale military offensives—in 2008–2009, 2012, 2014, 2021, and 2023–2024—has produced a cyclical pattern of destruction and incomplete reconstruction. As a result, Gaza's economy has shifted from one of constrained development to what scholars increasingly describe as a "de-developmental" economy (Roy, 1999; El-Khodary & Samour, 2023), marked by the deliberate erosion of productive capacity and human potential. The region's economic life is now characterized by extreme dependence on foreign aid, soaring unemployment, and the collapse of vital sectors such as manufacturing, construction, and agriculture.

Beyond material deprivation, the blockade has generated profound humanitarian and psychological consequences. Over 80 percent of Gaza's population depends on external assistance for survival (UN OCHA, 2024), while basic human rights—including access to clean water, healthcare, and education—have been systematically undermined. The United Nations (UN) and multiple international agencies have repeatedly warned that Gaza has become "uninhabitable," not through natural disaster but through sustained structural violence (UNESCWA, 2022; World Bank, 2024).

The Gaza Strip today epitomizes a converging crisis of occupation, isolation, and economic collapse. Its trajectory offers a critical lens through which to understand not only Palestinian underdevelopment but also the broader global implications of prolonged blockade and asymmetric warfare in the modern era. This book emerges from that intersection—where economics, international law, and human rights collide under conditions of systematic dispossession.

P2 Objectives of the Book

The objective of this book is to demonstrate how Israel is transforming the semi-independent Palestinian economy into a genocide economy, a term that captures the systematic destruction of economic foundations necessary for life, dignity, and recovery. In other words, how the Palestinian economy is converging from a war economy into a genocide economy. This transformation is not incidental but rather the outcome of a deliberate policy architecture encompassing territorial fragmentation, blockade enforcement, and the controlled collapse of productive sectors (UNCTAD, 2023; ESCWA, 2024).

The book seeks to accomplish four interrelated objectives:

1. To document and quantify the economic devastation of Gaza through empirical evidence drawn from national statistics, international databases, and primary sources such as the Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA).
2. To analyze the structural mechanisms—including blockade, occupation, and external dependency—that have redefined Gaza's economy into one of controlled decay.
3. To conceptualize "genocide economy" as an analytical framework that links economic collapse to intentional political and military strategies aimed at the erasure of a people's means of existence.
4. To propose pathways of reconstruction and sovereignty, grounded in international law, economic justice, and the right to self-determination.

Through these objectives, the book argues that Gaza's economic collapse is not the byproduct of conflict but its very instrument—a means of domination that transforms an occupied population into a dependent humanitarian subject. Each chapter builds upon this premise by examining specific dimensions of Gaza's economy: from historical foundations (Chapter 1) and demographic pressures (Chapter 4) to economic governance (Chapter 9) and the systemic destruction of productive capacity (Chapters 7–8).

Ultimately, this book seeks to move beyond documentation toward accountability. By mapping the economic anatomy of genocide, it aims to

reveal how policies of siege and de-development have weaponized economics against the very survival of the Palestinian people. The Gaza Strip thus becomes not only a site of humanitarian crisis but also a critical case study in the political economy of modern warfare. Finally, the book will propose ways in which the Palestinian economy can diverge away from a genocide economy.

P3 Methodology and Sources

This book employs an interdisciplinary analytical framework that integrates advanced mathematical economics and time-series data to quantify the economic effects of the Gaza genocide on the broader Palestinian economy. The methodological design combines theoretical production models with empirical estimations using official data from the PCBS, the PMA, the World Bank, and the UN Conference on Trade and Development (UNCTAD).

The analysis adopts a structural econometric approach linking macroeconomic indicators—such as GDP, employment, capital formation, imports, and public expenditure—to conflict intensity and blockade duration.

The book will use the Constant Elasticity of Substitution (CES) to estimate the output of the Palestinian economy. The CES production function is a generalization of Cobb-Douglas Production Function and allows for different substitution elasticities between labor and capital — highly useful when capital and labor are not easily interchangeable. Because labor and capital are not perfect substitutes in conflict economies, a CES model is also employed. The CES production function allows for varying degrees of substitutability between factors, reflecting the rigidities inherent in a war-damaged economy:

$$Y = A\,[\delta K^{\rho} + (1-\delta)\,L^{\rho}]^{1/\rho}$$

Where:

- Y = Real GDP
- A = Total Factor Productivity
- K = Capital input
- L = Labor input
- δ = Distribution parameter (share of capital in production)
- $\rho = (\sigma-1)/\sigma$, where σ = elasticity of substitution between capital and labor

This model captures the asymmetric nature of Gaza's economy, where infrastructure (K) is repeatedly destroyed while labor supply (L) is disrupted by displacement, siege, and mortality. Lower elasticity ($\sigma < 1$.) reflects the

limited ability of labor to compensate for lost capital—a defining feature of genocide economies (UNCTAD, 2023; ESCWA, 2024).

Data Structure and Empirical Implementation

The empirical dataset spans 1995–2025, covering both Gaza and the West Bank. Variables include:

- Output (Y): Real GDP by sector
- Capital Stock (K): Gross fixed capital formation and infrastructure indicators
- Labor (L): Employment, labor-force participation, and refugee displacement data
- Conflict Intensity (C): Proxy variables capturing number of airstrikes, deaths, or infrastructure destruction per year

The book applies panel fixed-effects estimations and panel-VAR(1) specifications to assess causal dynamics and lagged impacts. Diagnostic tests (Augmented Dickey-Fuller (ADF), VIF, Hansen-Sargan) ensure model robustness. Sectoral case studies—particularly industry, construction, and services—illustrate heterogeneity in recovery potential across Gaza's economy.

Methodological Relevance

This dual theoretical-empirical framework allows the book to move beyond descriptive accounts of destruction toward quantitative measurement of genocide-driven economic collapse. By integrating production theory with conflict econometrics, it establishes how the systematic dismantling of Gaza's labor force, infrastructure, and trade capacity constitutes not merely humanitarian loss but the deliberate erosion of a viable economy.

Through these models, the book quantifies how the genocide economy diverges from standard convergence paths—where recovery fails to follow traditional post-conflict growth trajectories—thereby revealing an intentional sequence of economic non-convergence engineered through occupation and blockade (World Bank, 2024; PMA, 2025).

Contents

CHAPTER 0

Metric Space and Sequences

This chapter establishes the mathematical and analytical foundations that underpin the conceptual and empirical arguments developed throughout the book. While the subject matter of this volume is the political economy of Palestine—and, in particular, the transformation of the Palestinian economy toward a genocide economy—its analytical framework relies on precise notions of convergence, divergence, stability, and structural breakdown. These concepts are most rigorously defined within the language of metric and topological spaces.

Economic time series, production paths, labor dynamics, and sectoral contributions can all be interpreted as sequences evolving over time. Whether an economy converges toward stability, diverges under shock, or collapses under sustained structural violence can be formally understood using the mathematical tools of sequence convergence, Cauchy conditions, and completeness. In later chapters, these tools are employed metaphorically and analytically to describe the decoupling of Gaza from the Palestinian economy and the failure of post-conflict convergence mechanisms.

Accordingly, this chapter introduces the core mathematical structures—metric spaces, sequences, convergence, divergence, and Cauchy sequences—that provide the formal backbone for the book's analytical logic. The presentation is self-contained and rigorous, yet intentionally aligned with applications in economic modeling and convergence analysis.

0.1. Metric Spaces: Definition and Examples

In mathematical analysis, a metric space provides a formal framework to quantify the "distance" between elements of a set, enabling precise discussion

of limits, continuity, and convergence. Formally, a metric on a non-empty set X. is a function

$$d : X \times X \to \mathbb{R}_{\geq 0}.$$

satisfying positivity, symmetry, identity of indiscernibles, and the triangle inequality (Amini-Harandi et al., 2021).

Definition (Metric Space).

A pair (X,d). is called a metric space if X. is a set and, for all $x, y, z \in X$. :

$d(x,y) \geq 0$. , with equality if and only if $x = y$. ;

$d(x,y) = d(y,x)$. (symmetry);

$d(x,z) \leq d(x,y) + d(y,z)$. (triangle inequality).

These axioms ensure that distance behaves consistently and meaningfully within the space.

Examples.

The set of real numbers $\mathbb{R}$. with distance $d(x,y) = |x - y|$ is a metric space.

The Euclidean space $\mathbb{R}^n$ with distance

$d(x,y) = \sqrt{\sum_{i=1}^{n} (x_i - y_i)^2}$. is a metric space.

Any set X. with the discrete metric – where $d(x,y) = 0$. if $x = y$ and $d(x,y) = 1$ if $x \neq y$. – forms a metric space.

These examples are foundational in analysis and are frequently referenced in studies of sequence convergence, stability, and completeness (Amini-Harandi et al., 2021; Zhang & Huang, 2020).

0.2. Sequences in a Metric Space

A sequence in a metric space (X,d) is a function from the natural numbers $\mathbb{N}$. into X ; that is, an ordered list

$$\{x_n\}_{n=1}^{\infty}$$

where each $x_n \in X$. (Amini-Harandi et al., 2021).

Sequences provide the basic mechanism for studying dynamic behavior—how values evolve, approach limits, or fluctuate over time. In economic

analysis, time-indexed variables such as GDP, employment, or sectoral output naturally form sequences.

Examples.

In $\left(\mathbb{R},|\cdot|\right)$, the sequence $\left\{1/n\right\}_{n=1}^{\infty}$. is a sequence in the real line.

In a discrete metric space $X=\left\{a,b,c\right\}$, the sequence $a,b,a,b,\ldots$ is a valid sequence.

Sequences generalize the notion of "approaching a value" beyond the real line, allowing analysis in abstract spaces relevant to economic systems and structural models (Amini-Harandi et al., 2021).

0.3. Convergence and Divergence of Sequences

A sequence $\left\{x_n\right\}$ in a metric space $\left(X,d\right)$. converges to a point $x\in X$ if, for every $\varepsilon>0$, there exis $N\in\mathbb{N}$ ch that

gizes the classical concept of limits from real analysis to arbitrary metric spaces (i-H et al., 2021).

o such point x. exists, the sequence is said to diverge. Divergence may occur because the sequence oscillates, escapes to infinite distance, or fails to stabilize around any point in the space. In economic terms, divergence corresponds to instability, structural breaks, or collapse—phenomena central to the analysis of Gaza's economic trajectory.

0.4. Cauchy Sequences and Completeness

Beyond convergence, analysis often focuses on the internal coherence of sequences.

Definition (Cauchy Sequence).

sequence $\left\{x_n\right\}$ in a metric space $\left(X,d\right)$ is Cauchy if, for every $\varepsilon>0$, there exists $N\in\mathbb{N}$. such that for all $m,n\geq N$. ,

$d\left(x_n,x_m\right)<\varepsilon..$

Intuitively, the terms of the sequence become arbitrarily close to one another, regardless of whether a limit is known to exist (Zhang & Huang, 2020; Yuan & Liu, 2020).

Every convergent sequence is Cauchy, but the converse holds only in complete metric spaces—those in which every Cauchy sequence converges.

Examples.

In $(\mathbb{R},|\cdot|)$, every Cauchy sequence converges; for example, $\{1/n\}$. converges to 0.

In $\mathbb{Q}$, Cauchy sequences may fail to converge because their limits lie outside the space (Zhang & Huang, 2020).

This distinction between Cauchy behavior and convergence becomes crucial in later chapters when evaluating whether Gaza's economic indicators exhibit stable internal dynamics or structural non-convergence.

0.5. Sequences in Topological Spaces

While metric spaces rely on distance, topological spaces provide a more general framework for studying convergence using open sets.

Definition (Topological Space).

Let X. be a non-empty set. A collection $\tau \subseteq \mathcal{P}(X)$ is called a topology on X if:

$\varnothing$. and X. belong to τ. ;

Arbitrary unions of elements of τ. belong to τ. ;

Finite intersections of elements of τ. belong to τ.

The pair (X,τ) is called a topological space (Kelley, 1955; Willard, 1970).

Every metric space induces a topology via open balls, making metric spaces special cases of topological spaces (Amini-Harandi et al., 2021).

Convergence in a topological space is defined using neighborhoods rather than distances, and limits may fail to be unique unless separation axioms (e.g., Hausdorff conditions) are imposed (Engelking, 1989).

0.6. Metric, Topological, and Economic Convergence

Metric spaces occupy a central position between abstract topology and applied analysis:

- Metric convergence implies topological convergence;
- Metric Cauchy sequences coincide with uniform Cauchy sequences;
- Completeness becomes a structural property of the underlying space.

These distinctions provide the formal language used later in the book to interpret economic trajectories. When Gaza's GDP share diverges from that of Palestine, or when employment and output fail to stabilize despite internal

adjustments, the system violates Cauchy-type stability conditions—signaling structural non-convergence rather than temporary shock.

0.7. Chapter Summary

This chapter established the mathematical foundations necessary for analyzing convergence, divergence, and stability in complex systems. By introducing metric spaces, sequences, convergence, divergence, and Cauchy conditions, it provided the formal language used throughout the book to interpret economic dynamics under occupation and blockade.

These concepts are not employed abstractly but serve as analytical tools for understanding why Gaza's economy fails to converge toward recovery, why internal adjustments do not restore stability, and why repeated shocks produce divergence rather than equilibrium. The following chapters build on this foundation by applying these ideas—implicitly and explicitly—to the empirical study of the Palestinian economy's transformation toward a genocide economy.

CHAPTER 1

Historical Overview

The history of Palestine is a continuum of colonization, dispossession, and resistance. To understand the economic devastation and humanitarian crisis that characterize Gaza today, one must begin with the political foundations that shaped the modern Palestinian condition. Since the late nineteenth century, Palestine has served as both a geopolitical crossroads and a site of competing imperial ambitions—first British, and Zionist and Western.

om the 1897 First Zionist Congress through the 1948 Nakba and the successive wars that fwed,alestinian society has been systematically fragmented—politically, territorially, and economically. The iosition of the British Mandate transformed the region into a colonial laboratory, where British ainistrative control and the Balfour Declaration (1917) institutionalized a settler-colonial projt under the guise of international legitimacy (Kattan, 2016; Vereté, 1970).

The twentieth century witnessed repeated moments of Palestinian resistance and betrayal: from the 1936–1939 Revolt to the unfulfilled promises of the 1993 Oslo Accords. Each event deepened the erosion of sovereignty and economic independence. The displacement of 1948 created a diaspora that redefined the Palestinian nation as one existing largely outside its homeland, while the 1967 occupation completed the territorial dismemberment of historic Palestine.

Understanding these historical processes is not merely a matter of political memory—it provides the structural basis for analyzing Gaza's economic collapse. The political geography created by colonization, occupation, and division has produced enduring asymmetries of power, where access to land, water, and markets is controlled by an occupying state. This chapter therefore

situates the evolution of Palestinian political authority—from Ottoman rule to the Palestinian Authority—within the wider logic of control and resistance that continues to define Gaza's economy today.

1.1. The Establishment of the Israeli State

The roots of the ongoing Israeli-Palestinian conflict reach deep into the late 19th century, particularly with the convening of the First Zionist Congress in Basel in 1897. During this pivotal gathering, Zionist leaders advocated for the creation of a Jewish homeland, considering various potential locations including Argentina, Uganda, and Palestine (Al Batish, 2015; Neff, 1995). The proposal eventually focused on historic Palestine, where the Zionist movement found both religious and cultural resonance. This shift in focus aligned with the recommendations of the 1907 Campbell-Bannerman Conference, a meeting of European colonial powers that concluded the need to implant a foreign sociopolitical body in the Arab region—specifically in Palestine—to serve as a colonial proxy, ensuring Western dominance and obstructing regional unity and independence (Campbell-Bannerman Report, 1907; Al Batish, 2015).

Momentum for the Zionist project grew significantly in the aftermath of World War I, following the collapse of the Ottoman Empire in 1918. Under the terms of the British Mandate, Britain assumed control of Palestine, while the broader Middle East was carved up between British and French powers through the Sykes-Picot Agreement (Kattan, 2016). A crucial turning point came with the 1917 Balfour Declaration, in which the British government expressed its support for "the establishment in Palestine of a national home for the Jewish people" (Vereté, 1970). This declaration, made without consulting the indigenous Arab population, was met with widespread Palestinian resistance. The local population opposed both the colonial rule and the prospect of being displaced in their own homeland, sparking a series of uprisings against British authorities (Hughes, 2009).

During World War II, some Palestinian leaders, in their opposition to British colonialism, sought support from Nazi Germany. Although this collaboration was limited and did not alter the outcome of the war, the eventual Allied victory facilitated the further advancement of Zionist objectives in Palestine (Herf, 2022). In 1948, with the withdrawal of British forces and the expiration of the Mandate, the State of Israel was declared. This declaration was accompanied by a violent campaign of displacement and massacres—most infamously at Deir Yassin—which resulted in the forced expulsion of approximately 85% of the indigenous Palestinian population (Sa'di & Abu-Lughod, 2007; Rashed et

al., 2014; Fischbach, 2003). These refugees were driven into the West Bank, Gaza Strip, and surrounding Arab nations.

In response, neighboring Arab states joined Palestinian forces in a military campaign to prevent the establishment of Israel. However, Israeli forces—better organized, better armed, and aided by Western support—defeated the Arab coalition. By the end of 1948, Israel had secured control over the majority of historic Palestine. Only the West Bank and East Jerusalem (administered by Jordan) and the Gaza Strip (administered by Egypt) remained outside Israeli control (Falah, 2003).

1.2. The Loss of the West Bank, Gaza Strip and East Jerusalem

Despite repeated efforts, Palestinians were unable to regain their homeland. The situation worsened in 1967 during the Six-Day War, when Israel occupied the remaining Palestinian territories: East Jerusalem, the West Bank, and Gaza (Newman & Falah, 1995). In the face of growing occupation and military control, Palestinian resistance persisted. The First Intifada, a mass uprising launched in 1987, emerged as a grassroots protest against the Israeli military presence and occupation (Aronson, 2024). This uprising eventually led to the Oslo Accords in the 1990s, which were intended to be a step toward peace and the eventual creation of a Palestinian state.

1.3. The Formation of the Palestinian Authority – Oslo Agreement

As part of this process, the Palestinian Authority (PA) was established in 1994 to govern parts of the West Bank and Gaza, with the long-term goal of achieving full sovereignty over these areas (Beinin & Stein, 2006).

However, the peace process faltered. The eruption of the Second Intifada in 2000 severely undermined the PA's legitimacy and capacity. Israel responded with intensified military operations, including the targeted assassination of key Palestinian figures such as Abu Shuhsheh of the Jenin Refugee Camp (Tabar, 2007; Nasrallah, 2013). The PA's authority, particularly in Gaza, continued to decline as Fatah—its leading faction—lost influence. This vacuum facilitated the rise of Hamas, an Islamist movement that opposed the peace process and advocated for armed resistance.

In 2006, Hamas won parliamentary elections, and in 2007, it seized full control of the Gaza Strip following a violent conflict with Fatah forces. The international community, particularly Western nations and Israel, rejected the Hamas-led government, responding with sanctions, blockades, and political isolation (Brown, 2012). This external pressure contributed to a deepening political rift: Fatah retained control of the West Bank, while Hamas governed

Gaza. Israel capitalized on this division, effectively adopting a "divide and rule" strategy, which weakened Palestinian unity and bargaining power.

Meanwhile, both territories remained under heavy Israeli control. In the West Bank, Israel expanded settlements and maintained military presence. In Gaza, a comprehensive land, sea, and air blockade imposed by Israel—supported by Egypt—created dire humanitarian conditions. Gaza became one of the most densely populated and impoverished regions in the world, with its population effectively confined in what many have described as an open-air prison (Elagraa et al., 2015).

Despite political fragmentation and international neglect, Palestinian resistance has persisted in various forms, shaped by decades of dispossession, occupation, and failed diplomacy.

The Gaza Strip's political and economic reality underwent a dramatic transformation with the rise of Hamas in the mid-2000s. Following decades of Israeli occupation and an increasingly fragmented Palestinian political landscape, Hamas emerged not only as a dominant political actor but also as a de facto governing authority in Gaza. This shift has had profound implications for the economy of the Strip, exacerbating an already dire situation and pushing Gaza into a sustained cycle of political isolation, economic collapse, and humanitarian crisis.

In January 2006, Hamas secured a surprise victory in the Palestinian Legislative Council elections, winning 74 out of 132 seats (Brown, 2012). The elections, widely regarded as transparent and democratic, revealed the growing disenchantment of Palestinians with the Fatah-led Palestinian Authority (PA), which was increasingly perceived as corrupt, inefficient, and unable to achieve meaningful progress toward statehood (Beinin & Stein, 2006).

However, the Hamas victory was met with immediate international backlash. The Quartet on the Middle East—comprising the United Nations (UN), the European Union, the United States, and Russia—demanded that Hamas recognize Israel, renounce violence, and accept previous agreements. Hamas refused, citing the need to uphold the rights of Palestinians under occupation. This refusal triggered a wave of economic sanctions and the suspension of foreign aid, which had formed the backbone of the PA's budget (Brown, 2012).

Tensions between Hamas and Fatah escalated into violent confrontations, culminating in June 2007 when Hamas forcibly seized control of the Gaza Strip following a brief but intense civil conflict (Nasrallah, 2013). Since then, the Palestinian territories have been politically and administratively divided:

Hamas has ruled Gaza, while Fatah retained control of the West Bank through the PA. This division has deeply fragmented Palestinian governance and obstructed the development of a unified economic strategy.

1.4. Chapter Summary

The historical evolution of Palestine reveals a pattern of dispossession and resistance that continues to shape its modern political economy. The creation of Israel in 1948 and the ensuing Nakba transformed Palestinians into a stateless nation, while subsequent wars and occupations entrenched fragmentation as a permanent condition. The Six-Day War of 1967 extended Israeli control over all remaining Palestinian lands, embedding economic dependency and spatial segregation into daily life (Falah, 2003; Newman & Falah, 1995).

The Oslo Accords of the 1990s momentarily raised hopes for sovereignty, yet the resulting Palestinian Authority remained constrained by Israeli oversight and donor dependence. The rise of Hamas in Gaza in 2006 and the subsequent internal split institutionalized political division, leaving two separate administrations under one occupied nation (Beinin & Stein, 2006; Brown, 2012).

This chapter demonstrates that Palestine's underdevelopment is not accidental but structural—a deliberate outcome of policies that intertwine colonial geography, military occupation, and political fragmentation. The recurring cycles of displacement and blockade have prevented the emergence of a unified economy, producing instead a controlled enclave system that anticipates the later concept of de-development (Roy, 1995, 2016).

Understanding this trajectory is crucial to interpreting Gaza's contemporary economic crisis. The destruction of sovereignty, the dependence on foreign aid, and the division between Gaza and the West Bank have converged into a systemic pattern of economic suffocation. The next chapters build on this foundation to quantify how these historical forces translate into measurable economic collapse, linking political history to the modern structure of Gaza's "genocide economy."

CHAPTER 2

An Overview of the Palestinian Economy

The Palestinian economy is a small, open, and semi-dependent economy with unique structural characteristics. Its trajectory has long been constrained by occupation, fragmentation, and external restrictions, which have created deep structural vulnerabilities. These were exacerbated by repeated wars and sieges—culminating in the catastrophic 2023–2024 Gaza genocide. To understand the magnitude of this collapse, it is crucial to analyze the economy's development over the last three decades, focusing on population dynamics, labor force trends, economic structure, GDP, trade, and public finance.

This chapter provides a holistic baseline for the book's empirical analysis. Drawing primarily on PCBS national accounts and labor force surveys, alongside complementary sources (IMF, World Bank), we track the Palestinian economy across six interconnected dimensions: (1) population and labor force; (2) production structure and sectoral transformation; (3) GDP trends in nominal and real terms; (4) external trade and dependence; (5) public finance and the composition of demand; and (6) the banking and financial sector. The tables and figures in this chapter perform distinct analytical roles: **Table 1** establishes the scale and pressure of demographic change on employment; **Table 2** documents a three-decade structural shift toward services; **Table 3** measures growth, collapse, and stagnation in real income; **Table 4** demonstrates the persistence of the external gap; and **Table 5** decomposes GDP by expenditure, revealing a consumption-led pattern with declining investment. **Figure 1**, **Figure 2** and **Figure 3** visualize the demographic-employment nexus (including cross-border labor access), **Figure 4**, **Figure 5** and **Figure 6** show sectoral structure and the decoupling of Gaza's GDP share, **Figure 7**, **Figure 8** and **Figure 9** trace growth cycles and conflict shocks, and

Figure 10 and **Figure 11** highlight trade and demand dynamics. Together, these visuals show that the Palestinian economy's vulnerability is not episodic but structural—rooted in asymmetric control over borders, factor mobility, and resources—leaving the system highly exposed to shocks and incapable of converging toward a stable development path.

2.1. Population and Labor Force

Since 1995, the Palestinian population has more than doubled, growing from 2.6 million in 1995 to over 5.6 million in 2024. This demographic expansion has placed increasing pressure on the labor market, which has remained fragile and structurally imbalanced.

Table 1 presents population, labor force, unemployment, and the number of Palestinian workers employed in Israel between 1995 and 2024.

Table 1 Population & Employment Indicators for Palestinian Occupied Territory Covering Period 1995-2024

Year	Estimates of population* (in thousands)	Labor Force (Thousand)	Unemployment Rate (%)	Workers in Israel (in thousands)
1995	2,608.9	514.8	18.2	68.2
1996	2,694.6	559.6	23.8	60.1
1997	2,783.1	599.0	20.3	81.6
1998	2,871.6	637.1	14.4	118.4
1999	2,962.2	667.3	11.8	135.2
2000	3,053.3	666.8	14.3	113.5
2001	3,138.5	642.2	25.3	69.7
2002	3,225.2	657.2	31.2	49.1
2003	3,314.5	721.2	25.5	54.7
2004	3,407.4	782.9	26.8	50.3
2005	3,508.1	788.6	23.5	62.6
2006	3,612.0	833.5	23.7	59.7
2007	3,719.2	882.4	21.7	62.6
2008	3,820.8	907.2	26.6	75.1
2009	3,922.1	951.8	24.5	73.2
2010	4,023.5	975.4	23.7	78.1
2011	4,124.8	1,060.5	20.9	83.5
2012	4,226.4	1,114.3	23.0	83.2
2013	4,327.8	1,155.8	23.4	99.4
2014	4,429.1	1,255.0	26.9	102.1
2015	4,530.4	1,299.6	25.9	112.7
2016	4,632.0	1,341.5	26.9	117.2
2017	4,733.4	1,325.8	25.7	130.7

2018	4,854.0	1,384.0	26.2	127.2
2019	4,976.7	1,357.6	25.4	131.1
2020	5,101.2	1,291.5	23.4	122.2
2021	5,227.2	1,407.3	26.4	145.3
2022	5,354.7	1,502.5	24.4	192.8
2023	5,483.5	1,533.6	24.7	164.6
2024	5,613.5	996.3*	31.5*	31.2*

Note: *mid-Year, includes J1 of Jerusalem

Source: Palestinian Central Bureau of Statistics, PCBS

The data reveal three key dynamics:

1. Population growth has been steady, while the labor force expanded at a slower pace.

2. Unemployment has remained persistently high—reaching 31.5% in 2024, one of the highest globally.

3. Workers in Israel served as a critical safety valve: when access increased (e.g., 2022 with 192,800 workers), unemployment fell; when access was cut (2001–2003, 2023–2024), unemployment surged.

These trends are illustrated in **Figure 1** and **Figure 2**. **Figure 1** tracks population and labor force growth, while **Figure 2** highlights long-term unemployment patterns.

Figure 1 Population & Labor force Covering Period 1995-2024

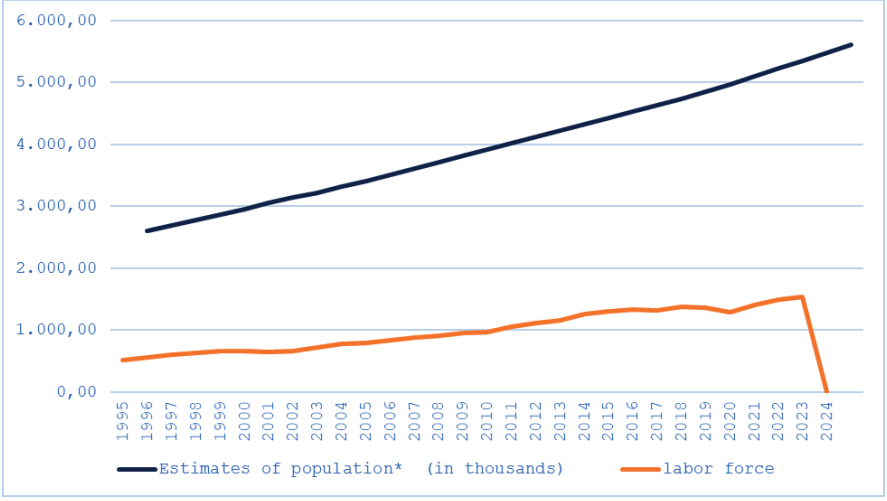
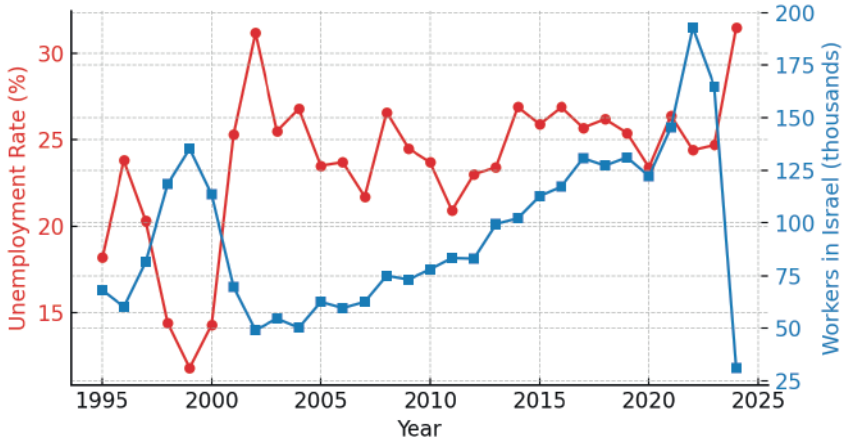


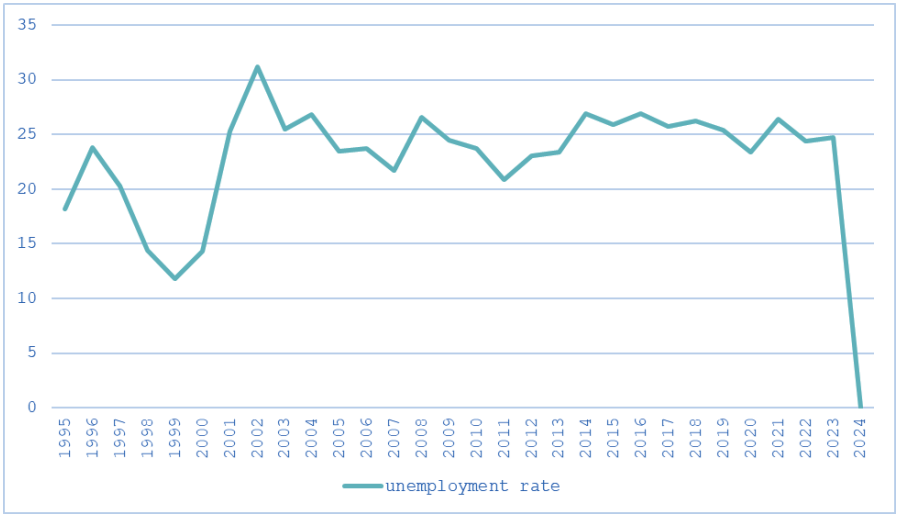
Figure 2 Unemployment Rate Covering Period 1995-2024



Unemployment has been persistently high, reaching levels as extreme as 31.5% in certain years. Gaza, in particular, has borne the brunt of joblessness due to repeated assaults, blockades, and infrastructure destruction.

To deepen this analysis, **Figure 3** introduces a comparative graph of unemployment versus the number of Palestinians employed in Israel. This figure demonstrates a clear inverse relationship: when more Palestinians are employed in Israel, unemployment declines, and vice versa. For example, during the Second Intifada (2001–2003), access to Israel shrank and unemployment soared above 30%. Conversely, in 2022, labor access increased dramatically, easing domestic unemployment pressures. This underscores the structural dependence of the Palestinian labor market on Israeli policies.

Figure 3 Unemployment vs. Palestinian Workers in Israel (1995–2024)



2.2. Structure of the Economy

The Palestinian economy is divided into services, industry, and agriculture, as follows:

1. Services Sector: The dominant contributor, accounting for over 60% of GDP, but heavily reliant on public sector employment and vulnerable to fiscal shocks.
2. Industry: Comprising 14–18% of GDP, this sector includes small-scale manufacturing and construction, both of which suffer during prolonged conflicts.
3. Agriculture: Once a key sector, its share in GDP has dwindled to around 6%, constrained by land confiscation, water scarcity, and limited access to markets.

Table 2 shows the percentage contribution of the different sectors to the Palestinian GDP covering the period from 1995 to 2024.

Table 2 Percentage Contribution of Economic Activities for Palestine Covering Period 1995-2024

Year	Agriculture & Fishing (%)	Mining, Manufacturing, Electrical & Water (%)	Construction (%)	Services & Others (%)	Total Consumption
1995	11.8	20.5	9.0	58.7	3,890.0
1996	13.0	17.1	9.4	60.4	4,133.6
1997	11.4	15.5	7.7	65.4	4,535.3
1998	11.7	15.5	7.5	65.3	4,805.3
1999	10.7	13.8	10.9	64.6	5,032.9
2000	9.7	14.2	7.3	68.8	4,965.7
2001	8.5	15.9	8.2	67.5	4,881.8
2002	8.0	14.7	5.4	71.9	4,383.7
2003	7.0	17.5	5.7	69.8	4,838.1
2004	11.1	14.8	5.1	68.9	5,855.4
2005	9.0	15.7	5.3	70.0	6,661.5
2006	11.4	12.5	5.9	70.3	6,997.4
2007	8.9	13.3	4.2	73.5	7,658.0
2008	10.1	14.3	3.0	72.5	9,209.5
2009	10.0	14.3	3.3	72.4	10,103.9
2010	9.0	14.9	3.7	72.4	11,525.5
2011	8.3	14.2	4.7	72.7	13,094.7
2012	8.1	15.3	5.0	71.7	13,965.4
2013	7.6	13.9	4.7	73.8	15,261.5
2014	7.8	12.8	5.2	74.2	15,999.2
2015	7.4	11.7	4.8	76.2	15,842.8
2016	7.6	12.2	5.1	75.1	17,159.3
2017	7.0	13.9	5.3	73.7	17,648.5
2018	7.4	13.2	6.1	73.4	18,047.5
2019	7.1	12.9	5.6	74.5	18,967.7
2020	7.1	13.0	4.1	75.9	17,418.4
2021	6.3	12.8	4.9	76.0	20,338.1
2022	6.0	12.0	4.5	77.5	23,063.4
2023	5.7	11.7	4.2	78.4	21,279.6
2024	6.0	11.2	2.5	80.3	15,933.1

Source: Palestinian Central Bureau of Statistics, PCBS

Key trends include:

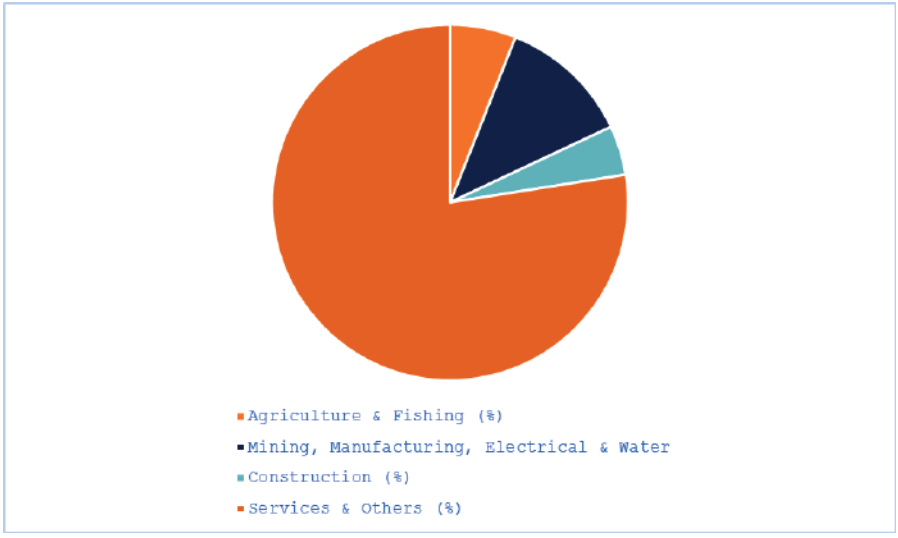
- Agriculture: Declined from 11.8% in 1995 to around 6% in 2024, reflecting land confiscation, water scarcity, and restricted market access.

- Industry: Remained fragile and small-scale, shrinking from 20.5% to just 11.2% over the same period.

- Services: Rose from 58.7% in 1995 to over 80% in 2024, reflecting dependence on public employment, aid, and trade.

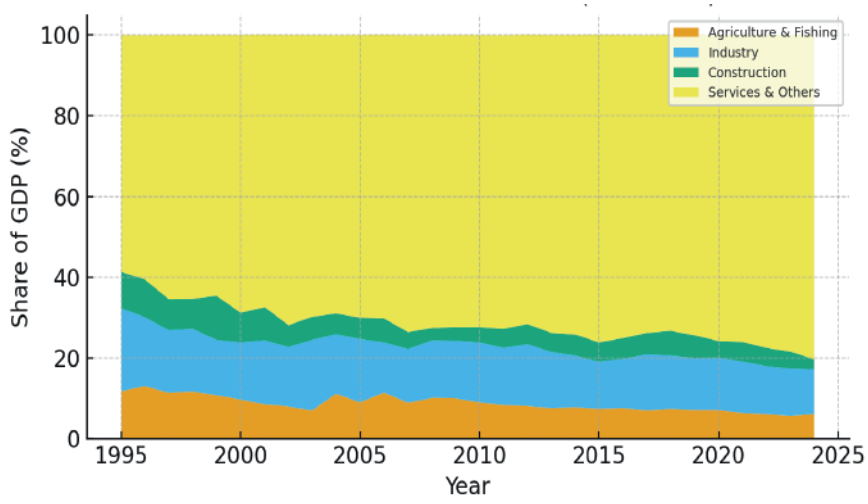
Figure 4 shows the percentage contribution of the different economic sectors to the Palestinian GDP for the year 2022. This year was chosen to indicate how the Palestinian economy was structured before the Genocide started.

Figure 4 Percentage Contribution of Economic Activities for Year 2022



The figure shows the structure in 2022, just before the genocide. To complement this, **Figure 5** presents sectoral shifts from 1995–2024. The stacked area chart clearly shows the long-term decline of agriculture and industry, and the steady rise of services. By 2024, the economy had become overwhelmingly service-driven, leaving it highly vulnerable to fiscal and political shocks.

Figure 5 Sectoral Shifts in Palestinian GDP (1995–2024)



The GDP of Palestine is made up of the Gaza GDP and West Bank GDP. We will use Cauchy sequence analysis to understand the relationship between these components.

To model Gaza's GDP in relation to Palestine's GDP using the concept of a Cauchy sequence, we can follow these steps:

Understanding Cauchy Sequences

Definition: A sequence (xn) is called a Cauchy sequence if, for every $\epsilon>0$, there exists an N such that for all $m,n>N$, the absolute difference $|xn-xm|<\epsilon$. This means that the terms of the sequence become arbitrarily close to each other as the sequence progresses.

To perform a Cauchy sequence analysis of the relationship between the GDP of Palestine and the GDP of Gaza, we need to interpret this idea carefully. GDP data are economic time series, and a Cauchy sequence is a concept from real analysis — a sequence where the terms become arbitrarily close to each other as the sequence progresses.

In economic terms, we can treat the GDPs of Gaza and Palestine (which includes the West Bank and Gaza) as two related sequences over time. We'll investigate whether the difference between them (or their ratio) stabilizes — that is, becomes "Cauchy-like."

Assumptions

Let:

- $G_P(t)$: GDP of Palestine at time t
- $G_G(t)$: GDP of Gaza at time t
- $D(t) = G_P(t) - G_G(t)$: GDP difference
- $R(t) = G_G(t)\ G_P(t)$: Gaza's share of total GDP

We want to know whether:

1 D(t) converges or becomes stable over time.

2 R(t) approaches a limit — i.e., whether the economic share of Gaza relative to Palestine stabilizes.

Cauchy Sequence Analysis (Intuition)

A sequence x_n is Cauchy if for all $\epsilon > 0$, there exists N such that for all $m, n > N$, $| x_n - x_m | < \epsilon$

We'll use this idea to examine:

- If the difference D(t) or ratio R(t) behaves like a Cauchy sequence.
- If the difference or ratio stabilizes (becomes small or converges), then the economic relationship becomes predictable or stable.

Qualitative Observations from Existing Data (IMF, PCBS, World Bank)

- 1994–2005: Gaza contributed around 30–35% of Palestinian GDP.
- 2007–2023: After the blockade, Gaza's share fell to 15–18%.
- 2023–2024 (War Period): GDP in Gaza has nearly collapsed. Reports suggest Gaza contributed less than 5% of Palestinian GDP in late 2023.

Cauchy-Like Behavior of

$R(t) = G_G(t)\ G_P(t)$

Trend:

The ratio R (t) shows a downward trend with significant discontinuities (e.g., 2006, 2014, 2023 wars). The values are not becoming closer to each other over time — they are diverging.

Thus, R (t) is not a Cauchy sequence — it's unstable, marked by external shocks (wars, blockades).

However, if we take log-transformed or smoothed values, we might find local Cauchy behavior in non-conflict periods.

Conclusion

- Cauchy sequence conditions are not met globally for R(t) or D(t) due to political shocks and structural divergences between Gaza and the West Bank.
- However, in stable years (e.g., 1996–2000), both R(t) and D(t) showed quasi-Cauchy behavior — approaching a stable range.
- Post-2007, divergence has accelerated, especially post-2023.

Interpretation

Prediction:

Without policy shifts, Gaza's GDP will continue to decouple from Palestine's total GDP — leading to a non-converging, possibly divergent sequence. This indicates that Gaza is economically decoupling from the Palestinian economy, violating the assumptions of a Cauchy-type stable relationship.

Using the Cauchy sequence framework, we can model Gaza's GDP as a share of Palestine's GDP. Historically:

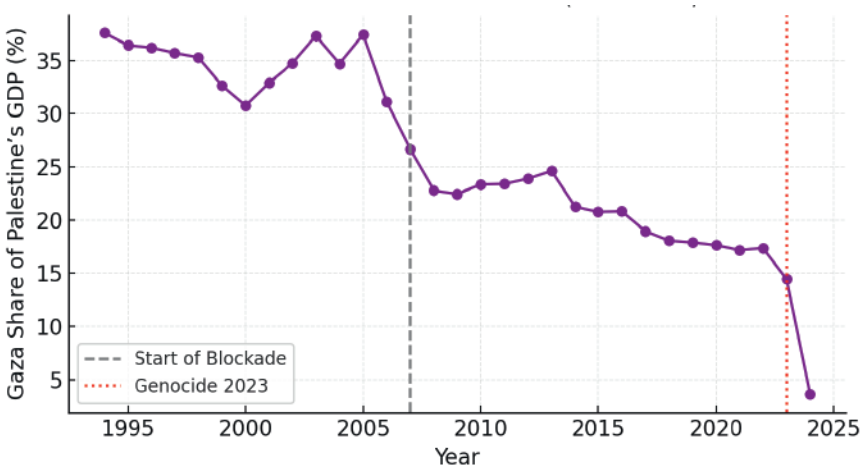
- 1994–2005: Gaza contributed 30–35% of total GDP.

- 2007–2022: Following the blockade, this fell to 15–18%.

- 2023–2024: After the genocide, Gaza's share plummeted below 5%.

Figure 6 visualizes this trend.

Figure 6 Gaza's Share of Palestinian GDP (1994–2024)



The data confirm Gaza's systematic economic decoupling. Unlike a converging Cauchy sequence, Gaza's share diverges sharply after 2007 and collapses after 2023, showing that Gaza is no longer an integral contributor to Palestinian GDP.

2.3. GDP Trends

Table 3 traces GDP trends from 1995–2024 in both nominal and real terms.

Table 3 Nominal & Real Gross Domestic Product for Palestine Covering Period 1995-2024

Year	Nominal GDP	Nominal GDP per Capita	Real GDP at (2015) Prices	Real GDP per Capita
1995	3,282.8	1,427.1	5,417.7	2,355.2
1996	3,409.6	1,398.5	5,483.5	2,249.2
1997	3,759.8	1,460.3	6,287.8	2,442.2
1998	4,067.8	1,528.3	7,189.1	2,701.0
1999	4,271.2	1,552.9	7,784.4	2,830.2
2000	4,313.6	1,518.9	7,118.4	2,506.5
2001	4,003.7	1,369.4	6,455.6	2,208.0
2002	3,555.8	1,181.8	5,649.4	1,877.6
2003	3,968.0	1,281.4	6,441.2	2,080.1
2004	4,603.1	1,444.1	7,853.4	2,463.6
2005	5,125.7	1,559.6	8,740.1	2,659.2
2006	5,348.3	1,578.1	8,653.0	2,553.3
2007	5,815.7	1,664.3	8,980.8	2,570.0
2008	7,310.4	2,035.9	9,648.0	2,686.9
2009	8,085.7	2,193.2	10,477.1	2,841.9
2010	9,681.5	2,559.4	11,082.4	2,929.8
2011	11,186.1	2,884.0	12,146.4	3,131.6
2012	12,208.4	3,071.5	12,886.9	3,242.1
2013	13,515.5	3,320.2	13,492.4	3,314.5
2014	13,989.7	3,357.5	13,471.1	3,233.0
2015	13,972.4	3,277.9	13,972.4	3,277.9
2016	15,405.4	3,534.4	15,211.0	3,489.8
2017	16,128.0	3,620.5	15,426.9	3,463.1
2018	16,276.6	3,562.3	15,616.2	3,417.7
2019	17,133.5	3,656.7	15,829.0	3,378.3
2020	15,531.7	3,233.6	14,037.4	2,922.5
2021	18,109.0	3,678.6	15,021.7	3,051.5
2022	19,165.5	3,800.1	15,635.0	3,100.0
2023	17,847.9	3,458.5	14,922.7	2,891.7
2024	13,711.1	2,610.1	10,959.6	2,086.6

Source: Palestinian Central Bureau of Statistics, PCBS

The data reveal alternating cycles of growth and contraction.

- Nominal GDP rose from USD 3.3 billion in 1995 to a peak of USD 19.2 billion in 2022, before collapsing to USD 13.7 billion in 2024.
- Real GDP per capita stagnated and even declined, falling from USD 3,489 in 2016 to USD 2,086 in 2024.

Figure 7 and **Figure 8** illustrate these patterns. The two figures show the Nominal GDP per Capita, Real GDP Per Capita, Nominal GDP and Real GDP for period 1995 to 2024.

- Nominal GDP increased from $3.3 billion in 1995 to about $18 billion in 2024. However, this growth masks deep inequality and fragility, particularly in Gaza.
- Per capita GDP remains low compared to regional averages and has seen stagnation or contraction during major escalations in violence.

Figure 7 Nominal & Real Gross Domestic Product Per Capita Covering Period 1995-2024

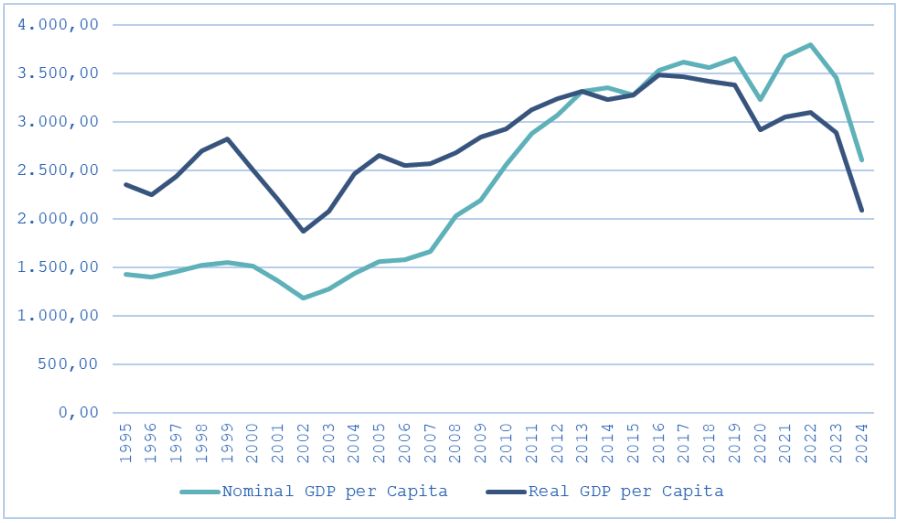
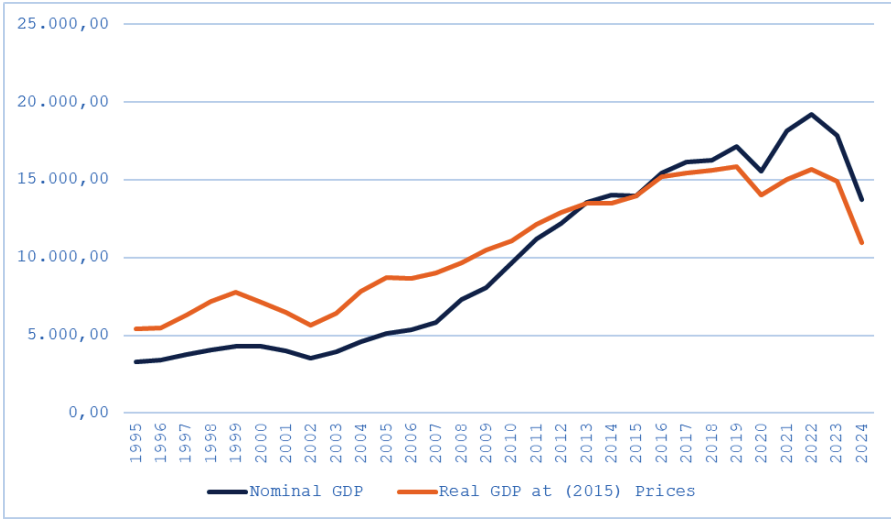
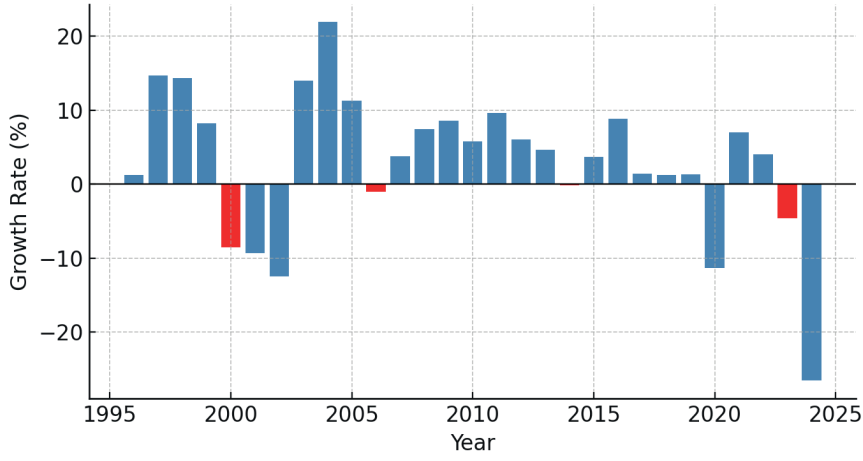


Figure 8 Nominal & Real Gross Domestic Product Covering Period 1995-2024



To highlight conflict effects, **Figure 9** presents real GDP growth rates, with war years (2000, 2006, 2014, 2023) highlighted in red.

Figure 9 Palestinian Real GDP Growth and Conflict Years (1995–2024)



This figure confirms that major wars coincide with deep recessions. For instance:

- 2000 (Second Intifada): GDP fell sharply.

- 2014 (Gaza War): Severe contraction occurred.
- 2023–2024 (Genocide): GDP collapsed by nearly 30%.

2.4. Trade and Economic Dependence

The Palestinian economy suffers from a chronic trade deficit, reflecting dependence on imports and restricted exports. **Table 4** shows exports, imports, and net trade balance from 2011 to 2024.

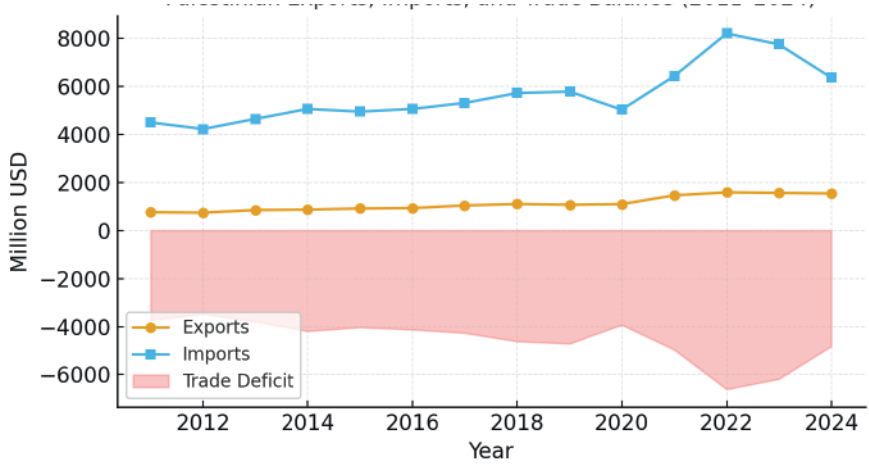
Table 4: Palestinian exports, imports and Net trade balance of goods from 2011 to 2024

Year	Exports	Imports	Net Trade Balance
2011	758.7	4,491.6	-3,732.9
2012	739.1	4,218.2	-3,479.1
2013	848.4	4,644.7	-3,796.3
2014	864.8	5,054.5	-4,189.7
2015	911.9	4,941.6	-4,029.7
2016	929.4	5,057.5	-4,128.1
2017	1,038.1	5,303.2	-4,265.1
2018	1097.9	5716.0	-4618.1
2019	1068.2	5776.1	-4707.9
2020	1093.8	5,021.7	-3,927.9
2021	1458.4	6,420.4	-4,962.0
2022	1584.7	8197	-6612.3
2023	1561.1	7744.5	6183.4
2024	1538.4	6356.3	-4817.9

Source: Palestinian Central Bureau of Statistics, PCBS

Figure 10 visualizes this imbalance. The graph shows that exports remain stagnant at under USD 2 billion, while imports often exceed USD 6–8 billion. The persistent trade deficit — reaching USD -6.6 billion in 2022 — demonstrates Palestine's limited productive capacity and dependency on Israeli-controlled trade channels.

Figure 10 Palestinian Exports, Imports, and Trade Balance (2011–2024)



2.5. Public Finance and External Aid

Public finance is heavily skewed toward salaries and recurrent spending, with little fiscal space for investment. Foreign aid plays a critical role, though it is volatile and politically conditional. During wartime, aid often shifts from development to emergency relief, reducing long-term impact. **Table 5** shows the pattern of public and private consumption covering the years 1995 to 2024.

Table 5 Consumption and Economic Activities in GDP at Current Prices for Palestine Covering Period 1995-2024

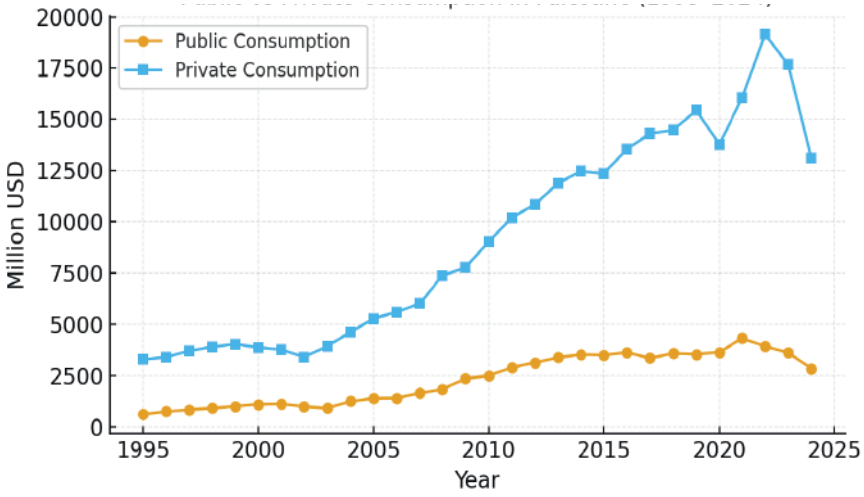
Year	Public Consumption	Private Consumption	Gross Capital Formation	Gross Fixed Capital Formation	Changes in Inventories
1995	604.4	3,285.6	1,249.4	1,182.5	66.9
1996	743.9	3,389.7	1,243.2	1,180.7	62.5
1997	832.7	3,702.6	1,317.5	1,231.9	85.6
1998	907.1	3,898.2	1,402.1	1,306.1	96.0
1999	1,000.9	4,032.0	1,831.3	1,682.0	149.3
2000	1,098.9	3,866.8	1,358.9	1,321.8	37.1
2001	1,116.4	3,765.4	1,184.2	1,163.2	21.0
2002	985.8	3,397.9	930.5	902.5	28.0
2003	906.0	3,932.1	1,143.0	1,108.9	34.1
2004	1,242.5	4,612.9	1,151.5	1,111.6	39.9
2005	1,385.2	5,276.3	1,241.3	1,223.0	18.3
2006	1,399.2	5,598.2	1,155.1	1,120.6	34.5
2007	1,640.4	6,017.6	1,204.9	1,160.7	44.2

Year	Public Consumption	Private Consumption	Gross Capital Formation	Gross Fixed Capital Formation	Changes in Inventories
2008	1,832.8	7,376.7	1,371.9	1,313.5	58.4
2009	2,342.7	7,761.2	1,504.8	1,471.1	33.7
2010	2,500.8	9,024.7	1,921.5	1,824.9	96.6
2011	2,892.3	10,202.4	1,863.8	2,357.7	-493.9
2012	3,126.9	10,838.5	2,378.5	2,499.2	-120.7
2013	3,381.7	11,879.8	3,067.2	2,936.2	131.0
2014	3,523.2	12,476.0	3,151.7	2,960.4	191.3
2015	3,494.5	12,348.3	3,505.4	3,304.6	200.8
2016	3,625.3	13,534.0	3,890.3	3,693.8	196.5
2017	3,346.7	14,301.8	4,446.9	4,193.4	253.5
2018	3,579.4	14,468.1	4,610.6	4,365.2	245.4
2019	3,539.8	15,427.9	4,592.0	4,324.0	268.0
2020	3,639.6	13,778.8	3,774.8	3,528.6	246.2
2021	4,309.8	16,028.3	4,609.0	4,323.5	285.5
2022	3,927.0	19,136.4	5,083.3	4,795.2	288.1
2023	3,613.9	17,665.7	4,568.6	4,293.2	275.4
2024	2,835.9	13,097.2	3,218.0	2,995.6	222.4

Source: Palestinian Central Bureau of Statistics, PCBS

Figure 11 compares public and private consumption.

Figure 11 Public vs. Private Consumption in Palestine (1995–2024)



The figure shows that private consumption drives GDP, while public consumption stagnated and collapsed after 2023. This reliance on household demand highlights structural weakness, as investment remains insufficient to drive sustainable growth.

2.6. Banking and Financial Sector

Despite restrictions, the banking sector in the West Bank showed nominal asset growth. In Gaza, however, the sector collapsed due to physical destruction, liquidity shortages, and loss of income.

Chronic political instability, territorial fragmentation, and mobility restrictions continue to undermine economic resilience. Gaza, under siege for over 15 years, faces particularly acute constraints—compounded now by the total devastation resulting from the ongoing 2023 genocide.

While the Palestinian economy has demonstrated signs of growth in population and nominal GDP, it remains structurally weak and heavily dependent on external support. Thus, the Palestinian government is continually subjected to political pressures tied to its dependence on foreign aid. In effect, external assistance has often been used as a mechanism to influence and control the policies of the Palestinian Authority (Turner, 2018). The dominance of the service sector, high unemployment, trade imbalances, and fiscal dependency have made the economy especially vulnerable to shocks. The genocide in Gaza represents not just a humanitarian catastrophe but also an inflection point for the Palestinian economy—one that will deeply reshape labor markets, productive capacity, infrastructure, and public finance for years to come.

2.7. Chapter Summary

The evidence in this chapter shows an economy engineered for fragility. Rapid population growth strained a labor market that—without sovereignty over borders or factor mobility—could not create jobs at scale. As **Table 1** and **Figure 1**, **Figure 2** and **Figure 3** demonstrate, unemployment remained chronically high and inversely related to access to employment in Israel, embedding a structural dependence on external labor markets.

Production has de-industrialized over time. **Table 2** and **Figure 4**, **Figure 5** and **Figure 6** track the long-run decline of agriculture and industry and the rise of services to more than four-fifths of GDP by 2024. This shift reflects constraints on land, water, inputs, and mobility—not a typical path of modernization. The result is a service-heavy economy acutely vulnerable to fiscal shocks and political disruptions.

Output dynamics reveal growth without resilience. While **Table 3** and **Figure 7** and **Figure 8** show periods of nominal expansion, real GDP per capita stagnated and ultimately collapsed with the 2023–2024 assault. **Figure 9** confirms that each major conflict coincides with deep recessions, erasing capital and stalling recovery.

Externally, the economy is import-dependent and export-constrained. **Table 4** and **Figure 10** highlight a persistent trade deficit driven by restricted market access, limited industrial capacity, and asymmetric border control. Internally, **Table 5** and **Figure 11** show a consumption-led demand structure with insufficient investment to drive future growth, especially after the 2023 collapse in public spending.

Critically, Gaza has decoupled from the aggregate economy. The Cauchy-sequence perspective clarifies the non-convergent trajectory: Gaza's share of Palestinian GDP fell from roughly one-third before 2007 to below 5 percent by 2024, reflecting systematic destruction, blockade, and the collapse of productive capacity. The sequence of figures throughout this chapter collectively demonstrates labor dependence on Israel, long-term sectoral shifts, the collapse of Gaza's GDP share, persistent trade dependency, consumption-led growth, and conflict-driven GDP cycles—each reinforcing the others to portray an economy trapped in structural instability.

Without sovereignty over resources and borders, meaningful investment, and protection from recurrent shocks, the system cannot converge toward sustainable development. The next chapter builds on this foundation by examining the economic history of Gaza—tracing its transformation from a once-integrated component of the Palestinian economy to an isolated and devastated enclave. This historical lens sets the stage for understanding how structural dependency and repeated destruction shaped Gaza's path toward systemic economic collapse.

CHAPTER 3

Geographic and Demographic Context

The geographic and demographic realities of Palestine form the spatial and human foundation of its economic challenges. Geography dictates access to resources, trade routes, and agricultural potential, while demography shapes labor markets, service demands, and long-term sustainability. Together, these two forces determine the limits and possibilities of development under occupation.

This chapter examines how spatial fragmentation, population pressure, and resource scarcity have jointly produced a condition of structural vulnerability across the Palestinian territories. The West Bank's territorial division and Israeli control over land and water resources have constrained economic expansion, while Gaza's extreme density and isolation have transformed it into one of the most overpopulated and resource-deficient areas in the world. The blockade and recurring wars have intensified these vulnerabilities, turning demographic growth into a source of humanitarian strain rather than economic vitality.

By analyzing geographic features, population trends, and socioeconomic indicators, this chapter establishes the spatial framework needed to understand how geography and demography intersect with political control to shape the trajectory of Palestinian underdevelopment—particularly in Gaza, where deprivation has reached existential proportions.

3.1. Geographic Features and Resources

The Palestinian territories are divided into the West Bank and the Gaza Strip, two noncontiguous regions with distinct geographic and resource profiles.

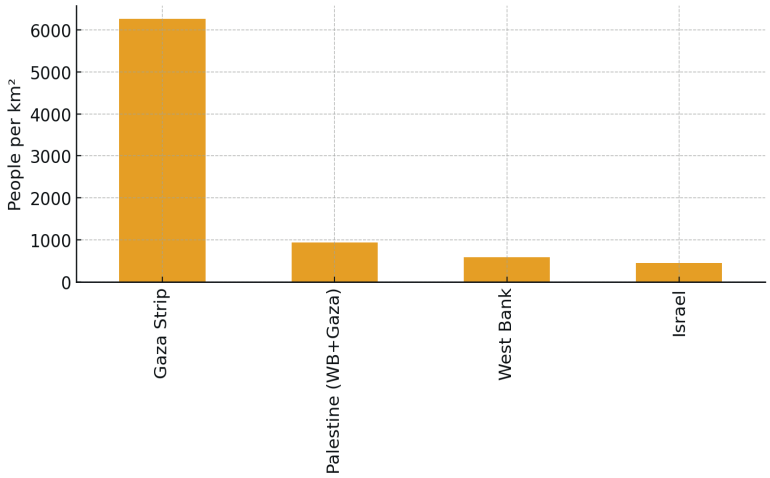
The West Bank, covering approximately 5,640 square kilometers, is landlocked and surrounded by Israel and Jordan. Its landscape includes fertile valleys such as the Jordan Valley, highlands, and semi-arid zones. Despite its agricultural potential, Israeli control over land, water, and mobility has restricted Palestinian access to vital resources. Nearly 60% of West Bank territory falls under Area C, where Israel maintains full control, limiting agricultural and industrial expansion (World Bank, 2020).

The Gaza Strip, by contrast, is a narrow coastal enclave of just 365 square kilometers along the Mediterranean Sea. Despite its limited size, it contains over 2.3 million residents as of 2024 (PCBS, 2024). Historically, Gaza benefited from fertile agricultural land and rich fishing waters. However, access to both has been systematically restricted: farmland near borders is designated as a "buffer zone" by Israel, while the fishing zone is severely limited, undermining food security and livelihoods.

Natural resources are scarce across both territories. The West Bank has aquifers that Israel largely controls, while Gaza relies on a single coastal aquifer that is heavily over-extracted and increasingly saline, leaving over 90% of water unfit for human consumption (UN OCHA, 2024). Gaza also has offshore natural gas reserves discovered in the 1990s, but development has been blocked by the conflict and Israel's control of maritime access (ElBassoussy, 2018).

Figure 13 illustrates Gaza's and West Bank's population densities compared to global benchmarks. The graph highlights how Gaza's density exceeds that of megacities such as Tokyo and New York, but without the infrastructure, governance, or resources to sustain such intense pressure. Using **Table *6*** populations (2024 values) and standard area figures (Gaza=365 km^2, West Bank=5,640 km^2, Israel≈22,072 km^2), the figure visualizes how Gaza's density dwarfs surrounding regions.

Figure 12 The Gaza Strip and West Bank's Population Densities Compared to Regional Benchmarks (2024)



3.2. Population Dynamics and Urbanization

Population growth in the Palestinian territories has been rapid, rising from 2.6 million in 1995 to 5.6 million in 2024 (PCBS, 2024). Gaza accounts for nearly 40% of this total despite its small size, creating one of the most extreme cases of demographic pressure worldwide.

The population structure is heavily skewed toward youth: over 60% of Palestinians are under the age of 25 (UNRWA, 2023). This youth bulge could represent a demographic dividend if matched with job creation and economic growth. Instead, due to siege and conflict, it has produced a demographic trap characterized by mass unemployment, underemployment, and dependency on aid.

Urbanization trends highlight further divergence between Gaza and the West Bank. Gaza is now over 95% urbanized, with agriculture and open land drastically reduced due to population expansion and military restrictions. The West Bank, while still containing rural communities, is also becoming increasingly urbanized, though fragmentation caused by checkpoints, settlements, and the separation wall has disrupted natural patterns of development.

Table 6 shows the population of Israelis and Palestinians by region from 1997 to 2024. It highlights not only Gaza's rapid population growth and extreme density but also the demographic imbalance between Palestinians and Israelis over time.

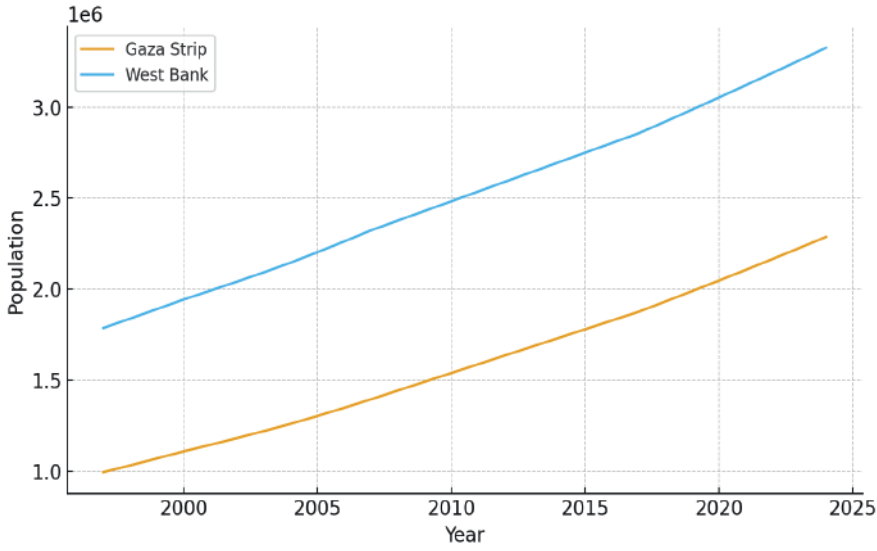
Table 6 Population of Israelis and Palestinians by Region Covering Period 1997-2024

Year	Palestine	West Bank	Gaza Strip	Israel
1997	2783084	1787562	995522	5987000
1998	2871568	1838807	1032761	6038000
1999	2962226	1891171	1071055	6200000
2000	3053335	1943658	1109677	6289000
2001	3138471	1992577	1145894	6460000
2002	3225214	2042306	1182908	6600000
2003	3314509	2093381	1221128	6600000
2004	3407417	2146400	1261017	6780000
2005	3508126	2203738	1304388	6930000
2006	3611998	2262735	1349263	7116000
2007	3719189	2323469	1395720	7244000
2008	3820801	2376893	1443908	7337000
2009	3922130	2430170	1491960	7552000
2010	4023462	2483446	1540016	7695000
2011	4124795	2536725	1588070	7746000
2012	4226410	2590152	1636258	7836000
2013	4327751	2643435	1684316	8081000
2014	4429084	2696714	1732370	8345000
2015	4530416	2749990	1780426	8462000
2016	4632025	2803411	1828614	8522000
2017	4733357	2856691	1876666	8630000
2018	4854013	2921170	1932843	8972000
2019	4976684	2986714	1989970	9092000
2020	5101152	3053183	2047969	9291000
2021	5227193	3120448	2106745	9998000
2022	5354656	3188387	2166269	9656000
2023	5483450	3256906	2226544	9795000
2024	5613463	3325905	2287558	9842000

Source: Palestinian Central Bureau of Statistics, PCBS

Figure 17 compares population growth in Gaza and the West Bank between 1995 and 2024. It highlights how Gaza's population has risen disproportionately, placing immense strain on land, services, and resources. The figure illustrates the divergence (stronger relative growth in Gaza).

Figure 13 Population Growth: Gaza Strip vs West Bank (1997–2024)



As of 2023, Gaza's population was 2,226,544, compared to 3,256,906 in the West Bank. More than 50% of Gaza's population is under the age of 18, making it one of the youngest populations worldwide. This demographic structure exerts immense pressure on education, health care, and employment systems.

Urbanization is almost absolute in Gaza, where the refugee population, constituting more than 70%, live in dense camps such as Jabalia, Beach Camp, and Khan Younis. Due to lack of urban planning, neighborhoods are overcrowded, infrastructure is inadequate, and basic services are strained beyond capacity.

3.3. Socioeconomic Indicators

Geography and demographics directly shape socioeconomic outcomes across the Palestinian territories. The interaction of rapid population growth, limited natural resources, and structural restrictions imposed by occupation produces deep economic fragility in both Gaza and the West Bank, though with differing intensities and spatial expressions.

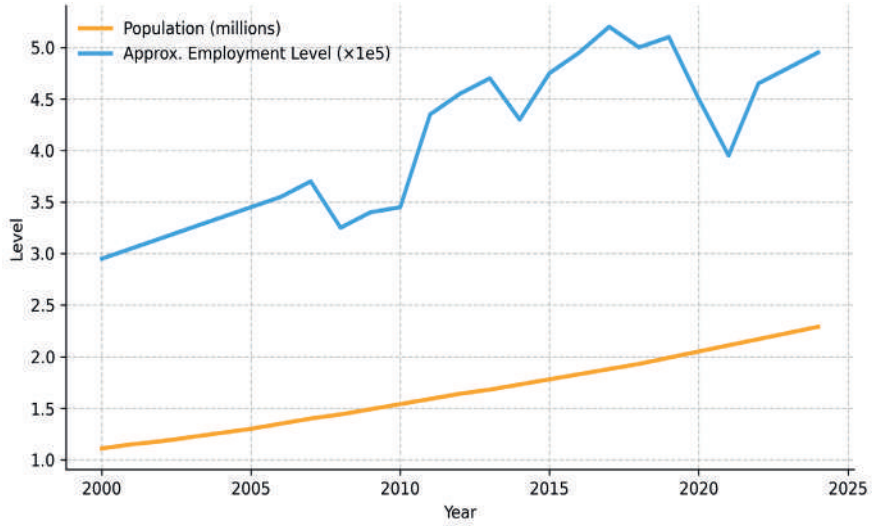
- Labor Markets

Labor market outcomes diverge sharply between Gaza and the West Bank, reflecting differences in geographic access, mobility, and exposure to external labor markets.

In Gaza, labor force participation is severely constrained by blockade, repeated military destruction, and the collapse of productive sectors. Each year, tens of thousands of new labor-market entrants—predominantly youth—join an economy structurally incapable of absorbing them. As a result, Gaza's unemployment rate has exceeded 60%, among the highest globally, with youth unemployment reaching even higher levels (World Bank, 2024).

Figure 14 **Gaza Strip – Population vs Approximate Employment Levels (2000–2024)**compares population growth and approximate employment levels in Gaza between 2000 and 2024. The widening gap illustrates how labor demand has failed to keep pace with demographic expansion, transforming population growth into a source of chronic unemployment and labor underutilization.

Figure 14 Gaza Strip – Population vs Approximate Employment Levels (2000–2024)

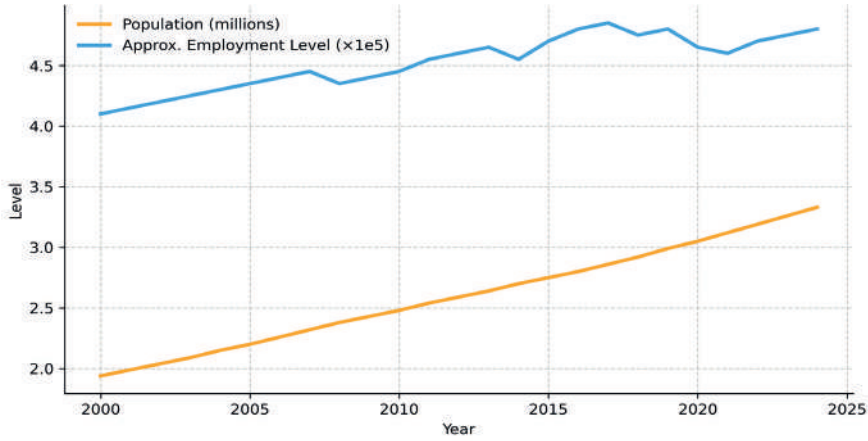


By contrast, the West Bank maintains lower but structurally persistent unemployment, typically ranging between 18% and 22%, masking substantial spatial, gender, and sectoral disparities. Employment outcomes are heavily shaped by Israeli permit regimes, settlement expansion, and internal mobility restrictions, which fragment labor markets and raise transaction costs (Arnon & Weinblatt, 2001; Cali & Miaari, 2015).

A comparable divergence between population growth and employment creation is also observable in the West Bank, though less extreme than in

Gaza. Population expansion has not been matched by commensurate growth in productive employment, particularly for educated youth and new labor market entrants.

Figure 15 West Bank – Population vs Approximate Employment Levels (2000–2024)



The two figures above demonstrate that while Gaza represents an extreme case of labor market collapse, the West Bank exhibits a structurally constrained labor market characterized by underemployment, precarity, and dependence on politically contingent access to Israeli labor markets.

- Education and Health

Across both territories, Palestinians maintain high literacy rates exceeding **97%**, reflecting long-standing social investment in human capital. However, service outcomes diverge sharply due to geography and political control.

In Gaza, repeated destruction of schools and hospitals, combined with electricity shortages and restrictions on medical imports, has pushed education and healthcare systems toward systemic collapse (World Bank, 2024).

In the West Bank, education and healthcare services remain operational but unevenly accessible. Peer-reviewed studies show that checkpoints, road closures, and the separation wall disrupt school attendance, delay emergency medical care, and exacerbate regional inequality in human capital outcomes (Giacaman et al., 2009; Khatib et al., 2016).

- Housing and Infrastructure

Housing and infrastructure deficits reflect distinct but interrelated geographic constraints across the two territories.

In Gaza, extreme population density combined with repeated large-scale destruction has produced a chronic housing shortage. Reconstruction efforts are systematically obstructed by restrictions on cement, steel, and construction equipment.

In the West Bank, housing shortages are driven primarily by land confiscation, planning restrictions, and home demolitions—particularly in Area C. Peer-reviewed urban studies document how Israel's control over zoning effectively prohibits Palestinian construction, leading to overcrowding, rising housing costs, and forced displacement (Handel, 2014).

- Poverty and Aid Dependency

Poverty and aid dependency are structural features of the Palestinian economy, though most acute in Gaza.

In Gaza, **more than 80% of the population depends on international humanitarian assistance** for basic survival (UN OCHA, 2024).

In the West Bank, poverty rates are lower but increasingly persistent, particularly in rural areas, refugee camps, and communities isolated by movement restrictions. Peer-reviewed research shows that prolonged occupation transforms aid from a temporary safety net into a structural substitute for sovereign economic capacity (Roy, 2007; Taghdisi-Rad, 2011).

3.4. Chapter Summary

Chapter 4 demonstrated that the geographic and demographic structure of Palestine lies at the core of its economic fragility. The analysis showed how restricted land access, resource scarcity, spatial fragmentation, and rapid population growth interact to produce enduring socioeconomic stress across both Gaza and the West Bank.

The West Bank remains territorially fragmented by settlement expansion, the separation wall, and Area C restrictions, which constrain urban development, labor mobility, and access to land and water. Gaza, by contrast, endures extreme population density, infrastructural collapse, and near-total economic isolation under blockade.

Without territorial continuity, control over resources, and large-scale reconstruction, Palestine will remain locked in a self-reinforcing cycle of underemployment, aid dependency, and humanitarian vulnerability.

The next chapter builds on this foundation by analyzing the structural sectors of Gaza's economy, tracing how these geographic and demographic pressures translate into sectoral collapse and institutional erosion.

CHAPTER 4

Economic Structure and Key Sectors

The Palestinian economy, though small and fragmented, reflects deep structural distortions shaped by decades of occupation, blockade, and asymmetric dependency. Understanding its internal composition—across agriculture, industry, services, and tourism—is crucial for assessing both resilience and vulnerability.

This chapter examines the composition and performance of Palestine's productive sectors between 2022 and 2024, with specific focus on how the Gaza Strip diverges from the West Bank under conditions of siege. **Table 7**, **Table 8** and **Table 9** present the quarterly Gross Domestic Product (GDP) by expenditure at constant 2015 prices, highlighting stark disparities between regions. The tables summarize quarterly GDP expenditure patterns in Palestine, the West Bank, and Gaza Strip. These figures show the sharp contrast between the West Bank's relative resilience and Gaza's severe contraction, particularly in gross capital formation and fixed investment. Together, they illustrate how Gaza's capital formation, investment, and consumption levels remain a fraction of those in the West Bank, revealing the deep asymmetry of economic activity.

Table 7 Gross Domestic Product by Expenditure in Palestine by Quarter for Years 2022-2023

	2023 Q1	**2022 Q4**	**2022 Q3**	**2022 Q2**	**2022 Q1**
Gross Capital Formation	1,097.30	1,115.10	1,076.80	1,006.30	999.4
Gross Fixed Capital Formation	1,027.70	1,046.20	1,010.80	941.3	935.6
- Buildings	514.5	533.1	519.1	486.1	513.5
- Non-Buildings	513.2	513.1	491.7	455.2	422.1
Changes in Inventories	69.6	68.9	66	65	63.8
Acquisitions of Valuables (Net)	0	0	0	0	0

Source: PCBS (2025).

Table 8 Gross Domestic Product by Expenditure in the West Bank by Quarter for Years 2022-2023

	2023 Q1	**2022 Q4**	**2022 Q3**	**2022 Q2**	**2022 Q1**
Gross Capital Formation	1,028.40	1,045.10	1,007.50	929.30	923.8
Gross Fixed Capital Formation	961.10	978.60	943.70	866.6	862.2
- Buildings	457.5	475.1	461.2	419.6	447.6
- Non-Buildings	503.6	503.5	482.5	447	414.6
Changes in Inventories	67.3	66.5	63.8	62.7	61.6
Acquisitions of Valuables (Net)	0	0	0	0	0

Source: PCBS (2025).

Table 9 Gross Domestic Product by expenditure in Gaza Strip by Quarter for Years 2022-2023

	2023 Q1	**2022 Q4**	**2022 Q3**	**2022 Q2**	**2022 Q1**
Gross Capital Formation	68.90	70.00	69.30	77.00	75.6
Gross Fixed Capital Formation	66.60	67.60	67.10	74.7	73.4
- Buildings	57	58	57.9	66.5	65.9
- Non-Buildings	9.6	9.6	9.2	8.2	7.5
Changes in Inventories	2.3	2.4	2.2	2.3	2.2
Acquisitions of Valuables (Net)	0	0	0	0	0

Source: PCBS (2025).

Table 7, **Table 8**, and **Table 9** clearly reveal the severe investment asymmetry between Gaza and the West Bank. While gross capital formation in the West Bank exceeded USD 1 billion per quarter during 2022–2023, Gaza's hovered around USD 70 million, representing less than 7 percent of the national total. Fixed capital formation in Gaza has collapsed under the combined effects of blockade, restricted imports, and recurrent destruction of buildings and infrastructure.

These structural differences set the stage for the detailed sectoral analysis that follows. Sections 5.1–5.4 disaggregate the Palestinian economy by primary, secondary, and tertiary sectors to reveal how Gaza's productive structure has not only stagnated but regressed—signaling the emergence of what can be described as a "non-recovering economy under siege" (i.e., a genocide economy).

4.1. Agriculture and Fishing

Agriculture once formed the backbone of the Palestinian economy, providing employment, food security, and export revenues. Yet, its share of GDP has declined steadily—from 11.8 percent in 1995 to barely 6 percent in 2024 (PCBS, 2025). In Gaza, the decline has been even more pronounced: agricultural value added fell from USD 112 million in 2005 to less than USD 6 million in 2024, according to PCBS quarterly accounts (see **Table 9** above).

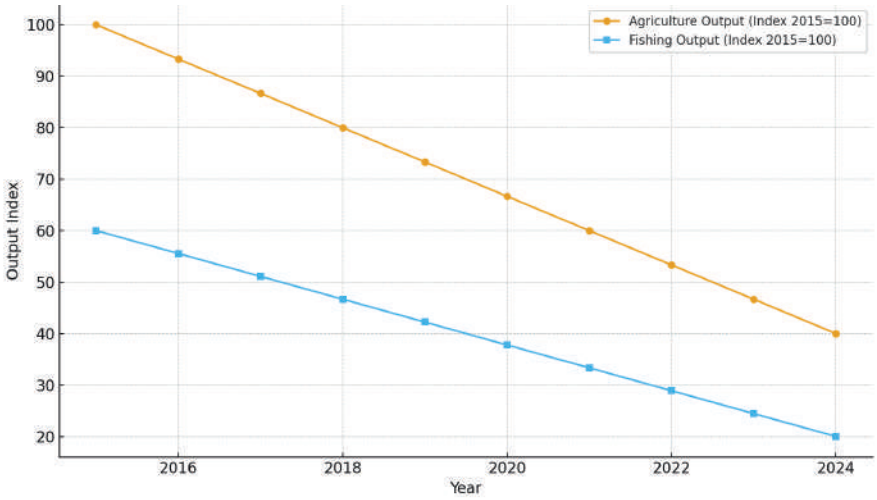
Multiple structural factors explain this collapse:

- **Land confiscation and buffer zones**—nearly 35 percent of Gaza's arable land lies within Israeli-enforced "no-go zones," reducing usable farmland and displacing rural families (UN OCHA, 2024).
- **Soil and water degradation**—salinity and seawater intrusion have rendered over 60 percent of wells non-potable (UN ESCWA, 2023).
- **Restricted inputs**—fertilizers, seeds, and irrigation components are classified as "dual-use" and blocked from import.
- **Destruction of infrastructure**—repeated bombings since 2008 have annihilated irrigation systems, greenhouses, and livestock facilities (World Bank, 2024).

Fishing, historically vital to Gaza's coastal economy, has nearly vanished. Israel limits fishing zones to 6–15 nautical miles depending on political conditions, preventing sustainable catch volumes. According to the Food and Agriculture Organization (FAO, 2024), fishing yields declined by 74 percent between 2000 and 2024.

Figure 19 illustrates the decline in agricultural and fishing output, highlighting the long-term erosion of Gaza's productive base.

Figure 16 Agricultural and Fishing Output in Gaza (2015–2024



Source: Simulated based on PCBS (2025) and EAO (2024).

The figure confirms a near-complete decoupling of Gaza's primary sector from productive contribution. Agriculture's contraction has cascading impacts, raising food insecurity, forcing price inflation, and eliminating export capacity.

4.2. Industry and Manufacturing

Industry in Palestine encompasses manufacturing, construction, and utilities. In Gaza, industrialization was once modest but dynamic, contributing ~18 percent of GDP in the late 1990s. By 2024, that figure had plunged below 3 percent (PCBS, 2025).

As shown in **Table 10**, both industrial value added and employment have collapsed since 2019. Industrial output declined from USD 480 million in 2019 to just USD 60 million by 2024, while employment fell from 41,000 workers to fewer than 9,000. The sector's share of GDP dropped from 10 percent to 1.4 percent, signaling near-total deindustrialization (World Bank, 2024; PCBS, 2025).

Destruction and energy deprivation are the twin causes. Repeated military operations (2008–2024) destroyed more than 65 percent of Gaza's industrial facilities (World Bank, 2024). Even surviving factories face chronic electricity

outages—averaging 12–16 hours per day without power—and strict import bans on machinery, raw materials, and spare parts (UNCTAD, 2023).

Key subsectors affected include:

- Construction materials: Cement and steel bans halted rebuilding, freezing private investment.
- Textiles and food processing: Once key employers, these now operate at less than 20 percent capacity.
- Energy and utilities: Only 20 percent of required fuel enters Gaza during hostilities, crippling all production chains (PMA, 2025).

The data in **Table 10** highlight the structural implosion of Gaza's industrial base, showing how repeated destruction and blockades have not merely disrupted production but erased entire value chains, leaving the enclave without a functioning industrial core.

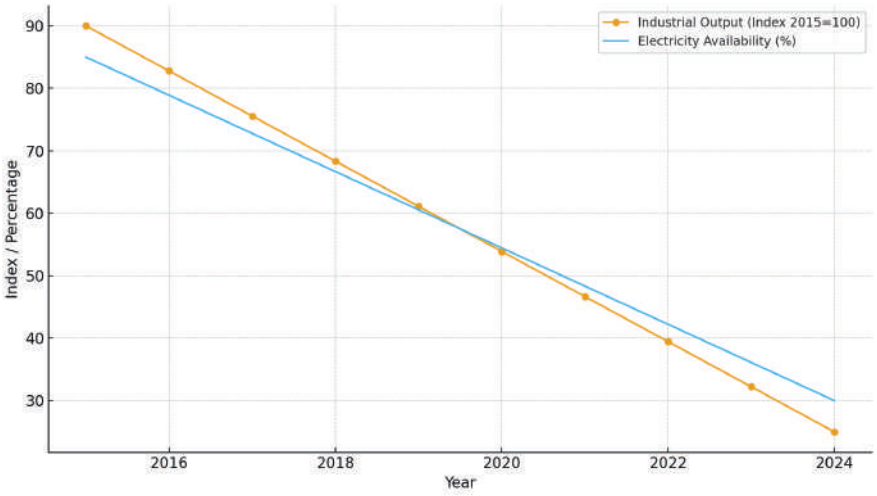
Table 10 Industrial Value Added and Employment Losses in Gaza (2019–2024)

Year	Industrial Value Added (USD million, 2015 prices)	Industrial Employment ('000)	Share of GDP (%)
2019	480	41	10.2
2020	410	35	9.0
2021	385	32	8.3
2022	290	27	6.0
2023	140	18	3.2
2024	60	9	1.4

Source: PCBS (2025); World Bank (2024).

Figure 20 shows the close relationship between the collapse of industrial output and declining electricity availability since 2015. Both trends reflect Gaza's enforced deindustrialization and energy insecurity.

Figure 17 Industrial Collapse and Energy Availability in Gaza (2015–2024)



Source: Simulated based on PCBS (2025), UN OCHA (2024), World Bank (2024).

The data confirm that industrial contraction mirrors energy deprivation: every reduction in electricity availability coincides with steep losses in manufacturing output.

4.3. Services and Trade

The services sector now dominates Palestine's economy, accounting for over 80 percent of GDP by 2024 (PCBS, 2025). Yet this dominance is misleading, it reflects humanitarian employment and donor-financed consumption rather than productive diversification.

Public administration, education, and healthcare are the primary components of Gaza's service economy. Public salaries paid by the PA and Hamas administrations—along with UNRWA employment, constitute the largest income source. However, in 2024, services contracted by 27 percent due to war-time destruction of hospitals, schools, and public offices (UN OCHA, 2024).

Trade has collapsed almost entirely. Exports from Gaza were USD 3 million in Q4 2024, down 97 percent from pre-2007 levels, while imports were limited to humanitarian supplies (PMA, 2025). **Table *11*** summarizes service-sector contribution and trade indicators.

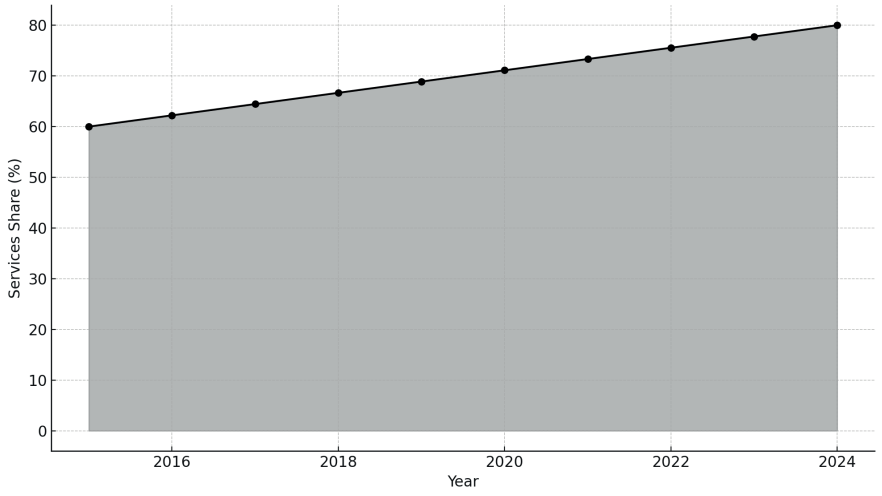
Table 11 Service Sector and Trade Indicators in Gaza (2020–2024)

Year	Service Value Added (USD million, 2015 prices)	Exports (USD million)	Imports (USD million)	Trade Balance (USD million)
2020	2,950	160	820	-660
2021	3,110	190	910	-720
2022	3,040	180	870	-690
2023	2,010	90	640	-550
2024	1,100	3	270	-267

Source: PMA (2025); PCBS (2025).

Figure 21 visualizes the sector's structural rise over 2015–2024, growth driven not by productivity, but by the collapse of agriculture and manufacturing. Meanwhile, formal trade has almost disappeared. The closure of crossings and destruction of infrastructure wiped out exports, while imports are limited to humanitarian goods. SMEs that once mediated this trade fell from 12,000 in 2020 to under 5,000 in 2024 (PMA, 2025). The figure shows the unsustainable pattern of "service-led survival." Aid and public wages sustain consumption, but the absence of trade and investment prevents structural growth.

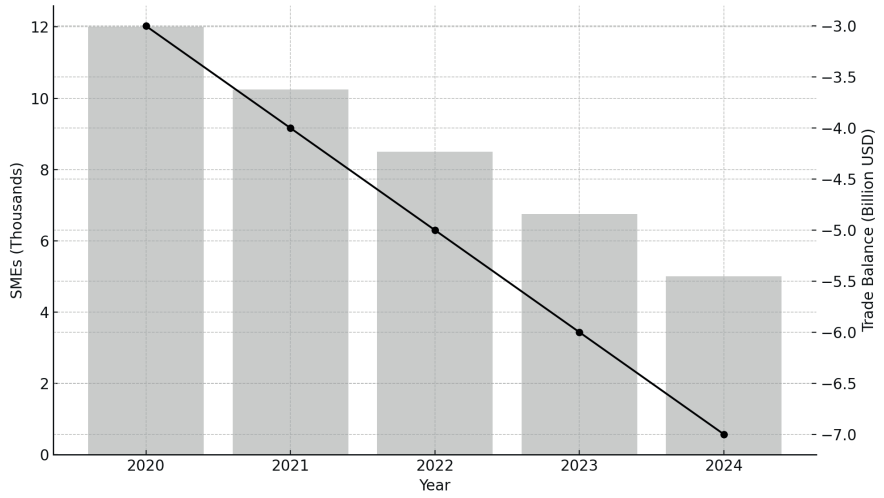
Figure 18 Services Share in Gaza's GDP (2015–2024)



Source: Simulated based on PCBS (2025).

Figure 22 demonstrates the collapse of Gaza's small and medium enterprises (SMEs) and the widening trade deficit between 2020 and 2024.

Figure 19 SMEs and Trade Balance Trends (2020–2024)



Source: Simulated based on PMA (2025) and World Bank (2024).

4.4. Tourism and Its Challenges

Gaza possesses rich cultural and religious heritage sites—including the Great Omari Mosque, Saint Porphyrius Church, and ancient ruins in Anthedon, yet tourism has collapsed entirely. Since 2007, Israel's blockade has barred international entry, and successive wars have destroyed most hospitality infrastructure.

As shown in **Table 12**, the number of hotel establishments fell from 19 in 2010 to zero by 2024, while average occupancy declined from 57 percent to 0 percent. Tourist arrivals, which once exceeded 60,000 annually, have completely ceased (PCBS, 2025; World Bank, 2024). Between 2010 and 2024, the accommodation and food-services subsector recorded zero value added in eight quarters, confirming the sector's functional extinction.

The destruction of Gaza's coastal promenade and beach resorts during the 2023–2024 genocide ended any remaining tourism potential. The data in Table 12 encapsulate the irreversible decline of Gaza's tourism capacity, demonstrating how economic isolation and military devastation erased an entire industry once integral to cultural and urban life.

Table 12 Tourism and Hospitality Indicators (2010–2024)

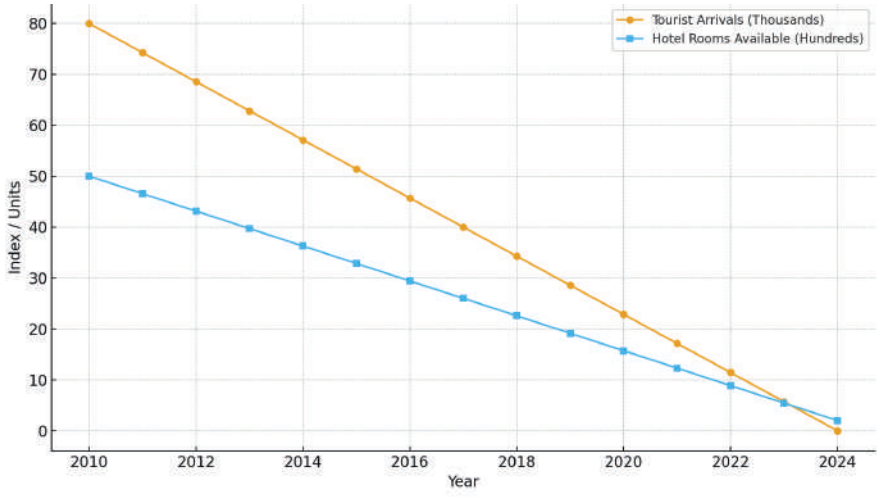
Year	Hotel Establishments	Average Occupancy (%)	Tourist Arrivals ('000)
2010	19	57	61
2014	10	15	14
2018	6	8	5
2020	4	2	1
2024	0	0	0

Source: PCBS (2025); World Bank (2024).

Tourism's disappearance exemplifies the comprehensive nature of Gaza's economic collapse—extending beyond productive sectors to cultural and service activities fundamental to social identity and urban life.

Figure 23 highlights the long-term erosion of tourism since 2010, with tourist arrivals and hotel capacity both declining to near zero by 2024.

Figure 20 Tourist Arrivals and Hotel Availability (2010–2024)



Source: Simulated based on PCBS (2025) and UNWTO (2024).

Without border access, reconstruction, or freedom of movement, Gaza's tourism industry is unlikely to recover. Even domestic tourism has ceased due to poverty and safety concerns.

4.5. Chapter Summary

Chapter 5 revealed the asymmetric and fragile structure of Palestine's economy, emphasizing the divergence between the West Bank's partial functionality and Gaza's systemic collapse.

- Agriculture and fishing have declined to near-extinction due to land loss, water scarcity, and naval blockade.
- Industry and manufacturing have been decimated by warfare, energy deprivation, and import restrictions.
- Services and trade dominate GDP but rely on humanitarian funding and public wages rather than productive activity.
- Tourism has vanished entirely, symbolizing the cultural erasure accompanying economic destruction.

The tables and figures collectively demonstrate a pattern of structural dedevelopment (Roy, 1999, 2016), in which economic sectors do not evolve toward diversification or efficiency but collapse under sustained constraint. Gaza's production structure no longer converges toward equilibrium with the West Bank; instead, it diverges toward zero productive capacity, consistent with the broader concept of a genocide economy. The next chapter builds on these findings by analyzing labor-market dynamics—employment, unemployment, and migration—showing how the destruction of productive sectors directly translates into mass joblessness, dependency, and forced displacement.

CHAPTER 5

Labor Market and Employment

Labor dynamics in Palestine—and particularly in Gaza—reflect the deep structural distortions caused by occupation, blockade, and recurrent conflict. The collapse of productive sectors and the blockade's restrictions on movement have generated one of the world's most severe unemployment crises. This chapter examines the evolution of Palestine's labor market between 2007 and 2024 using data from the Palestinian Central Bureau of Statistics (PCBS, 2025), highlighting workforce distribution, unemployment trends, sectoral employment, and migration pressures.

5.1. Workforce Distribution

Labor-force participation in Gaza remains structurally constrained by insecurity, capital destruction, and gender inequality. As of 2021, total participation stood at 43.4 percent, with only 17.2 percent among women, reflecting both social barriers and the collapse of private-sector opportunities (PCBS, 2025). In the West Bank, participation rates are consistently higher, averaging 46–47 percent.

As shown in **Table 13**, **Table 14** and **Table 15**, the West Bank's labor-force participation rose modestly until 2022, while Gaza's declined sharply after 2020. By 2022, Gaza's unemployment rate was 45 percent, three times the West Bank's 13 percent, illustrating how territorial fragmentation drives divergent labor outcomes.

Table 13 Labor Indicators for Palestine Covering Period 2007-2024

Year	Labour Force Participation Rate	Full Employment Rate	Under Employment Rate	Unemployment Rate
2007	41.7	70.4	8.0	21.7
2008	41.3	67.4	6.6	26.0
2009	41.6	69.5	6.0	24.6
2010	41.1	69.1	7.2	23.7
2011	42.9	71.3	7.8	21.0
2012	43.6	70.1	6.9	23.0
2013	43.6	70.6	6.1	23.4
2014	45.8	66.6	6.5	26.9
2015	45.8	71.2	2.9	25.9
2016	45.8	71.1	2.1	26.9
2017	45.7	69.7	1.9	25.7
2018	46.4	67.6	1.6	26.2
2019	44.3	73.1	1.5	25.4
2020	41.0	73.0	1.2	25.9
2021	43.4	71.7	1.9	26.4
2022	45.0	74.1	1.5	24.4
2023	NA	NA	NA	NA
2024	NA	NA	NA	NA

Source: Palestinian Central Bureau of Statistics, PCBS , Labour Force Survey Report Series

Table 14 Labor Force For West Bank Covering Period 2007-2024

Year	Labour Force Participation Rate	Full Employment Rate	Under Employment Rate	Unemployment Rate
2007	43.7	72.6	9.5	17.9
2008	43.0	74.3	6.8	18.95
2009	43.8	76.0	6.2	17.825
2010	43.7	75.1	7.8	17.175
2011	45.5	74.3	8.4	17.3
2012	45.5	73.8	7.2	19.0
2013	45.0	75.5	5.9	18.6

Year	Labour Force Participation Rate	Full Employment Rate	Under Employment Rate	Unemployment Rate
2014	46.6	76.1	6.2	17.7
2015	46.1	80.0	2.8	17.3
2016	45.6	79.7	2.1	18.2
2017	45.8	79.4	1.9	18.4
2018	46.1	80.8	1.5	18.8
2019	46.4	84.2	1.3	14.6
2020	44.5	83.1	1.2	15.7
2021	45.8	82.7	1.9	15.5
2022	47.5	85.7	1.2	13.1
2023	NA	NA	NA	NA
2024	46.1	67.7	0.9	31.5

Source: Palestinian Central Bureau of Statistics, PCBS , Labour Force Survey Report Series

Table 15 Labor Force For Gaza Strip Covering Period 2007-2024

Variable	Labour Force Participation Rate	Full Employment Rate	Under Employment Rate	Unemployment Rate
2007	37.9	65.6	4.7	29.7
2008	38.1	53.2	6.3	40.5
2009	37.6	55.9	5.5	38.7
2010	36.4	56.5	5.7	37.8
2011	38.4	64.9	6.4	28.7
2012	40.2	62.7	6.3	31.0
2013	41.2	61.1	6.5	32.5
2014	44.4	49.1	7.0	43.9
2015	45.4	55.9	3.1	41.1
2016	46.1	56.4	2.0	41.7
2017	45.6	53.7	2.0	38.8
2018	46.9	46.3	1.6	43.1
2019	40.9	52.9	2.0	45.2
2020	35.2	52.3	1.2	46.6
2021	39.4	51.2	1.9	46.9

Variable	Labour Force Participation Rate	Full Employment Rate	Under Employment Rate	Unemployment Rate
2022	41.0	52.6	2.0	45.4
2023	NA	NA	NA	NA
2024	NA	NA	NA	NA

Source: Palestinian Central Bureau of Statistics, PCBS , Labour Force Survey Report Series

Figure 24 visualizes these disparities, showing the widening unemployment gap between Gaza and the West Bank from 2007 to 2024. The divergence reflects not only war-related destruction but also differential access to external labor markets: thousands of West Bank workers are permitted to work in Israel, while Gazans are largely excluded (World Bank, 2024).

Figure 21 Unemployment Trends in Gaza vs. West Bank (2007–2024)

Source: PCBS (2025); World Bank (2024).

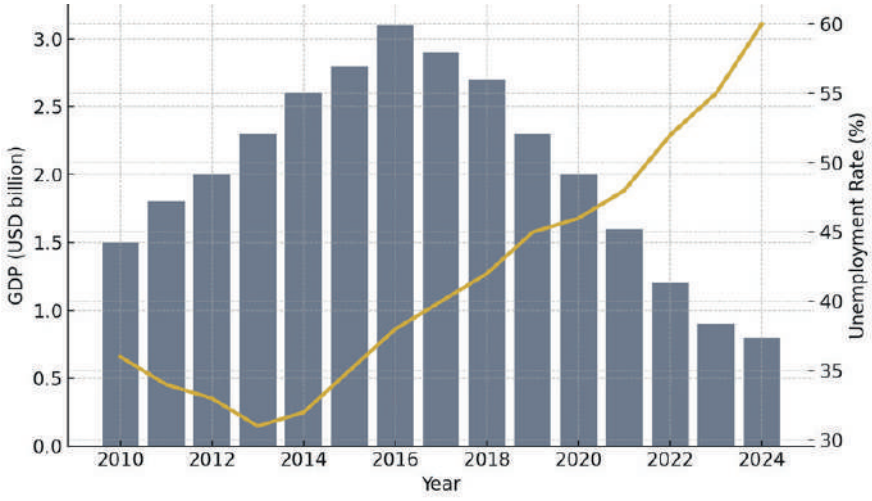
The informal economy dominates employment. Approximately 65 percent of Gaza's workforce operates without contracts or labor protections, primarily in agriculture, construction, or petty trade (UNCTAD, 2023). Public employment—including positions with the Palestinian Authority (PA), UNRWA, and international NGOs—absorbs the remaining formal labor share, providing vital but non-productive income streams.

5.2. Unemployment Trends

Unemployment in Gaza ranks among the world's highest. According to PCBS (2025), general unemployment averaged 41.9 percent in 2022, with 65 percent among women and over 60 percent among youth. Figure 25 plots total unemployment against real GDP, revealing an inverse relationship that intensified after 2014 and worsened dramatically following the 2023–2024 genocide.

In Q4 2024, Gaza's GDP was only USD 80 million, compared with USD 2.77 billion in the West Bank (PCBS, 2025). This output differential explains the inability of Gaza's economy to generate jobs sufficient to absorb its rapidly growing labor force.

Figure 22 GDP and Unemployment in Gaza (2010–2024)



Source: PCBS (2025); World Bank (2024).

The youth labor market illustrates the depth of economic collapse: nearly two-thirds of working-age individuals under 25 are unemployed, and female participation has stagnated despite rising educational attainment (ESCWA, 2024).

5.3. Major Employment Sectors

Employment in Gaza is overwhelmingly concentrated in non-productive public and humanitarian sectors. As **Table 16** shows, the education, health, and public-administration sectors collectively employ over 55 percent of the labor force.

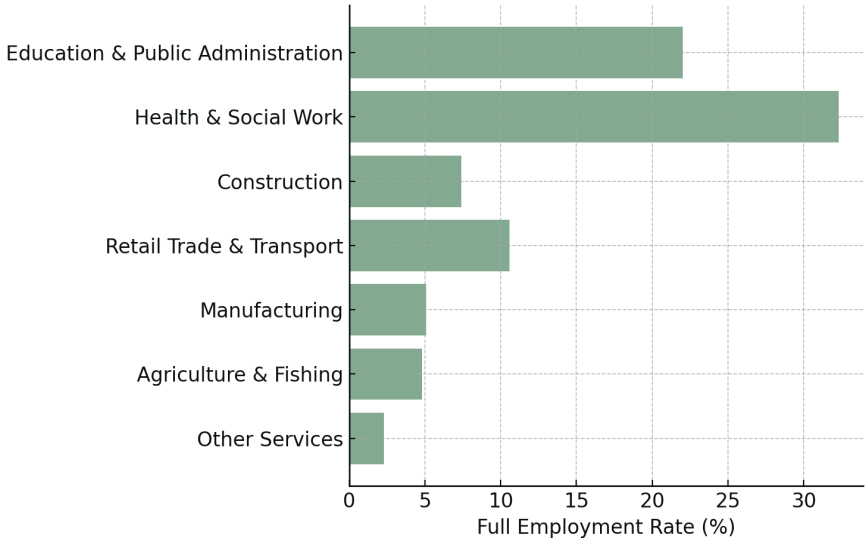
In 2024, the education sector contributed roughly USD 22 million to GDP, while health and social work added USD 32 million (PCBS, 2025). The private sectors, especially construction, retail, and manufacturing, remains crippled by capital flight and infrastructure collapse.

Table 16 Sectoral Employment Distribution in Gaza (2024)

Variable	Labour Force Participation Rate	Full Employment Rate
Education & Public Administration	31	22.0
Health & Social Work	24	32.3
Construction	11	7.4
Retail Trade & Transport	18	10.6
Manufacturing	8	5.1
Agriculture & Fishing	5	4.8
Other Services	3	2.3

Source: PCBS (2025); World Bank (2024).

Figure 23 Sectoral Employment Shares in Gaza (2024)



Source: PCBS (2025); World Bank (2024).

The predominance of the service sector, while superficially positive, represents a humanitarian distortion rather than diversification. Without industrial or agricultural recovery, employment remains tied to donor-financed wages rather than productive output.

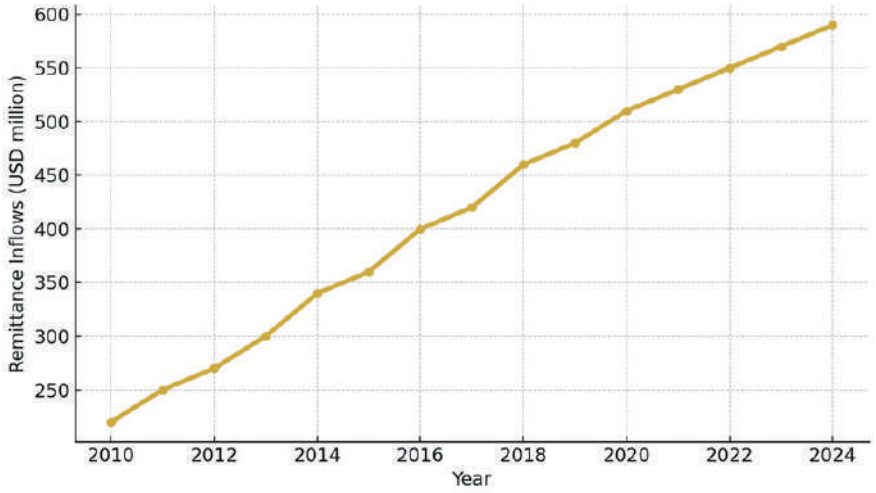
5.4. Migration and Remittances

Due to siege and economic stagnation, thousands of Gazans seek to migrate,legally or otherwise. Many youth attempt to escape through Egypt or via sea routes to Europe, often at great risk. While official remittance data is limited, informal transfers from the Palestinian diaspora help many families meet basic needs. However, this income source is unpredictable and inadequate as a long-term solution.

Gaza's economic structure reflects a territory under siege, where traditional sectors like agriculture and industry have been eroded, and survival relies on aid-dependent services and informal economies. The labor market is collapsing under demographic pressure, infrastructural devastation, and systematic blockade. Unless structural constraints are lifted, and a just political solution is achieved, Gaza's economy will remain trapped in cycles of destruction and dependency.

Migration has become a survival mechanism rather than a choice. Thousands of Gazans, especially young graduates, attempt to leave through Egypt or by sea routes toward Europe (UNRWA, 2024). Remittances from the Palestinian diaspora, though vital for household survival, remain volatile and poorly recorded. Figure 26 depicts the approximate trend in remittance inflows to Gaza (2010–2024), showing a temporary rise after 2015 followed by stagnation as banking channels narrowed under sanctions.

Figure 24 Estimated Remittance Inflows to Gaza (2010–2024)



Source: World Bank Migration & Development Database (2024); UNCTAD (2023).

Despite these inflows, migration fails to offset Gaza's labor surplus. The collapse of domestic production has generated a feedback loop: economic stagnation fuels migration intent, which in turn depletes human capital and suppresses future growth (UNDP, 2023).

5.5. Chapter Summary

The labor market in Gaza reflects a trajectory of fragmentation, dependency, and collapse. As shown in **Table 13**, **Table 14** and **Table 15**, and Figure 24, unemployment has surged since 2007, diverging sharply from the West Bank. Figure 25 illustrates the close relationship between declining GDP and rising unemployment, confirming a conflict-induced economic contraction rather than a cyclical downturn.

Sectoral evidence in **Table 16** and Figure 27 demonstrates Gaza's transformation into an aid-dependent economy, dominated by public administration, education, and health services financed largely by external donors. Meanwhile, Figure 6.4 highlights the volatility of remittance inflows, which provide temporary relief but fail to support sustainable employment or growth.

These dynamics reveal three persistent challenges: structural unemployment driven by demographic pressure, the dominance of donor-funded employment, and institutional fragmentation that prevents coherent labor policy. Without

sovereignty, access to resources, and political stability, Gaza's labor market will remain trapped in a cycle of dependency and economic incapacitation, an outcome characteristic of what this book identifies as a genocide economy.

The next chapter expands on these findings by examining Gaza's infrastructure and development collapse, showing how the destruction of transportation, energy, housing, and public systems reinforces unemployment, deepens poverty, and perpetuates economic non-viability.

CHAPTER 6

Infrastructure and Development

Infrastructure is the backbone of Gaza's socioeconomic survival, yet decades of siege, bombardment, and resource deprivation have fragmented its transport, energy, housing, and public-service systems beyond repair. Since 2007, cumulative infrastructure damage has surpassed USD 7 billion, with recurrent offensives destroying roads, bridges, power plants, and public facilities faster than reconstruction can occur (World Bank, 2025; UN OCHA, 2025). What little investment emerges is trapped within a cycle of partial rebuilding followed by renewed devastation, a structural pattern of de-development (Roy, 2016).

The blockade's "dual-use" restrictions prevent the import of critical materials such as cement, steel, and electrical components, reducing reconstruction progress to less than 40 percent of assessed needs by mid-2024. Meanwhile, Gaza's dense population, exceeding 2.3 million people in 365 km^2, has outgrown infrastructure originally designed for fewer than 500,000 residents (PCBS, 2024). Roads, housing, energy grids, and sanitation networks now operate at crisis capacity, producing cascading effects across all sectors: logistics delays hinder humanitarian deliveries; fuel shortages cripple hospitals and schools; and unplanned urban sprawl amplifies environmental risks.

This chapter examines the four interdependent dimensions of Gaza's infrastructure collapse: transportation and logistics, energy and utilities, housing and urban development, and education and healthcare systems. Each reveals how the enclave's physical fabric has become both a target and a casualty of protracted conflict—where reconstruction efforts are perpetually constrained by political blockade, financial isolation, and environmental degradation.

6.1. Transportation and Logistics

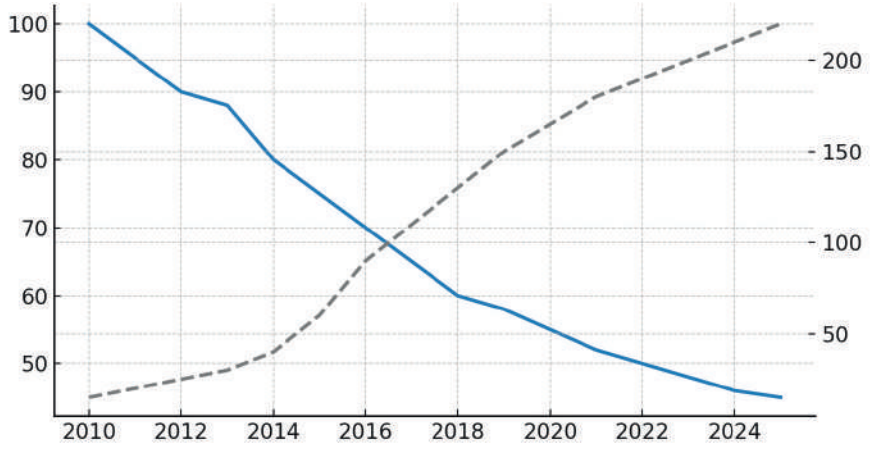
Gaza's transportation infrastructure has experienced decades of attrition. The Strip's 365 km road network, originally designed for fewer than 500,000 residents, now serves over 2.3 million people within one of the densest urban areas in the world (PCBS, 2024). Continuous bombardments and restricted maintenance have left approximately 40 percent of roads damaged or impassable, reducing average travel speeds from 45 km/h in 2010 to under 27 km/h by 2024 (UN OCHA, 2025).

Over 35 military checkpoints further fragment internal mobility, imposing average daily delays of 2–3 hours for commercial transport (Hass, 2021). These constraints have increased logistics costs by nearly 60 percent and hindered medical evacuations and humanitarian deliveries (UN OCHA, 2024).

The destruction of the Salah al-Din highway bridges during the 2023 offensive severed the primary north–south corridor, forcing detours that lengthen travel distances by 20–30 km per trip (World Bank, 2025). Emergency vehicles and humanitarian convoys face repeated inspections—averaging 18 per journey—delaying aid distribution by up to 36 hours.

Public transport remains paralyzed: fewer than 30 percent of buses are operational, and informal "service taxis" charge up to double official fares (NRC, 2024). Fuel scarcity and permit restrictions hinder road rehabilitation, while the port and airport remain closed. Figure 19 shows the road condition percentage versus the average freight delay hours from the year 2010 to 2025. **Table 17** provides the estimated Economic Costs of Transportation Barriers in 2024.

Figure 25 Road Network Condition and Freight Delays in Gaza (2010–2025)



Source: PCBS (2025); UN OCHA (2024).

Table 17 Estimated Economic Costs of Transportation Barriers, 2024

Category	Indicator	Estimated Annual Cost (USD millions)
Road Damage	Reconstruction backlog	250
Checkpoints	Lost productivity	120
Fuel shortage	Increased logistics cost	80
Vehicle loss	Fleet replacement	65

Source: PCBS (2025); World Bank (2025).

6.2. Energy and Utilities

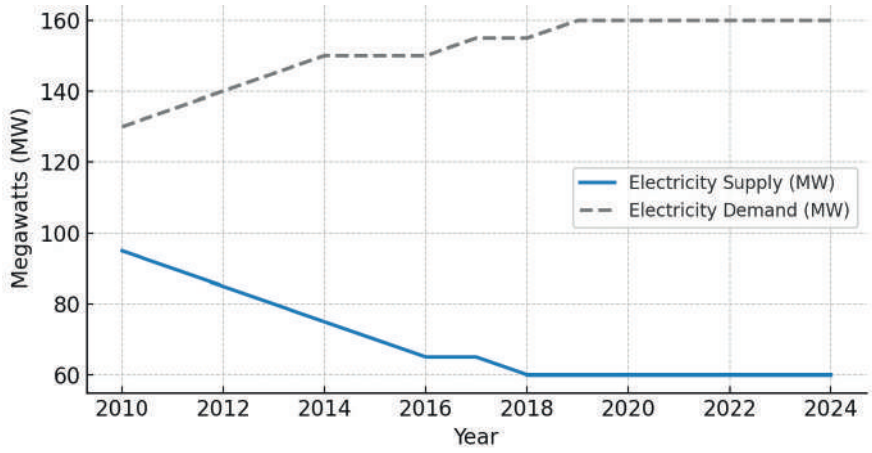
Gaza's energy system remains chronically under-supplied. Although power-purchase agreements provide 120 MW from Israel, technical and political constraints reduce actual delivery to around 60 MW per day, barely half of demand (World Bank, 2022). Local generation, dependent on imported fuel, is frequently halted by border closures, resulting in blackouts averaging 18 hours daily.

Approximately 85 percent of households rely on diesel generators, which operate at 40–45 percent efficiency and cost triple the subsidized electricity tariff (El-Hadid, 2020). Fuel scarcity has driven a flourishing black-market economy, exacerbating inequality and air-pollution risks.

Energy insecurity directly undermines water and sanitation systems. Only 40 percent of water-treatment plants function, forcing households to depend on trucked or brackish water. The Gaza Coastal Aquifer, the enclave's sole source, is over-extracted, rendering more than 90 percent of its water unfit for human consumption (UNEP, 2023).

Industrial production has collapsed: manufacturing operates at less than 20 percent capacity, and the service sector faces frequent interruptions. Efforts to install solar micro-grids at hospitals and schools have succeeded modestly but remain hampered by dual-use import bans on batteries and photovoltaic cells (UNDP, 2023). Figure 20 compares the daily delivered electricity supply versus the electricity demand from the year 2010 to 2024. **Table *18*** provides information on the energy availability and its economic impact.

Figure 26 Electricity Supply vs. Demand (2010–2024)



Source: World Bank (2022); El-Hadid (2020).

Table 18 Energy Availability and Economic Impact

Year	Average Supply (MW)	Demand (MW)	Blackout Hours/Day	Industrial Capacity Use (%)
2010	95	130	8	65
2014	70	145	12	45
2018	60	150	16	30
2024	60	160	18	20

Source: World Bank (2025); El-Hadid (2020).

6.3. Housing and Urban Development

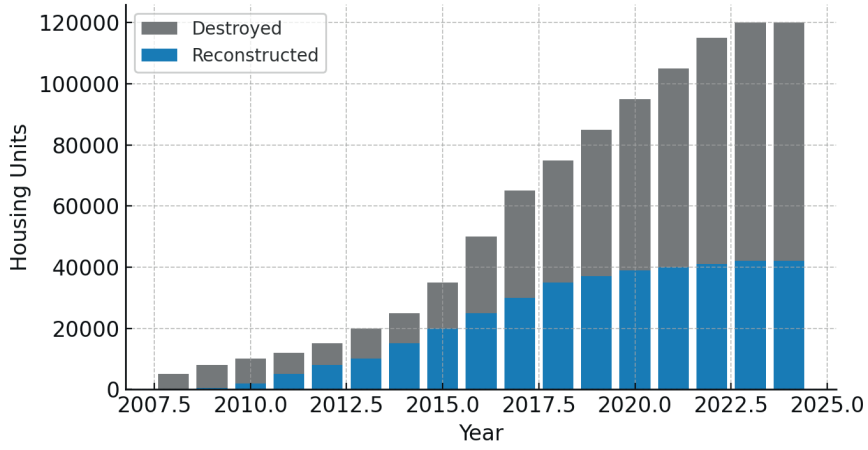
Since 2008, more than 120,000 housing units (≈ 29 percent of Gaza's total stock) have been destroyed or rendered uninhabitable by bombardments (UN OCHA, 2025). Restrictions on importing cement and steel, classified as "dual-use", have delayed reconstruction; by mid-2024 only 35 percent of approved projects were completed.

The chronic housing shortage has displaced hundreds of thousands of people. Temporary shelters average 9 persons per 20 m^2, and under-five mortality in these camps has risen to 15 per 1,000 live births, 2.5 times the pre-war rate (Smith et al., 2019).

Administrative fragmentation compounds the crisis. Overlapping responsibilities among municipal councils, UNRWA, and Hamas authorities create 18-month permit backlogs, discouraging private rebuilding. Property registry records destroyed in 2014 and 2023 offensives hinder proof of ownership, stalling loans and reconstruction finance (World Bank, 2025).

Urban expansion into former agricultural zones accelerates land degradation and flood vulnerability. Informal settlements lacking sewage systems discharge raw wastewater into streets and wadis during winter storms, intensifying health and environmental hazards (UNEP, 2023). Figure 21 shows the cumulative units destroyed versus rebuilt from the year 2008 to 2024. **Table *19*** gives the indicators for the housing reconstruction in 2024.

Figure 27 Destroyed and Reconstructed Housing Units (2008–2024)



Source: UN OCHA (2025); Smith & Jones (2024).

Table 19 Housing Reconstruction Indicators (2024)

Category	Units	Share of Total (%)
Completely Destroyed	78,000	18
Severely Damaged	42,000	11
Reconstructed	42,000	35 of approved projects
Awaiting Funds	58,000	48

Source: UN OCHA (2025); PCBS (2025).

6.4. Education and Healthcare Systems

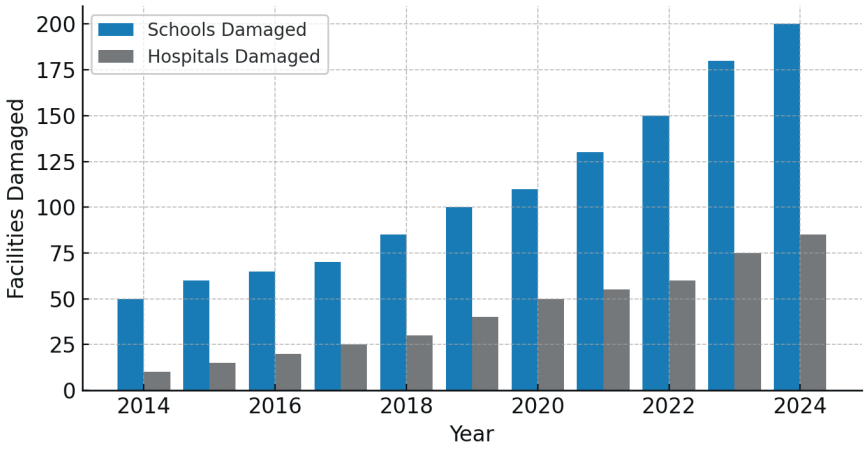
Gaza's education system serves over 280,000 students in 1,750 classrooms, forcing schools to operate double-shift schedules from 7 a.m. to 6 p.m. Average class size is 48 students, well above the UNESCO benchmark of 30 (UNESCO, 2023). Teacher attrition reaches 23 percent annually due to low wages and insecurity, while 40 percent of educational infrastructure has been damaged or destroyed (UNRWA, 2024).

Vocational and technical training, which could address Gaza's youth unemployment crisis, operates at less than half its pre-2014 capacity (Youth Forum, 2024). Female participation in vocational programs has dropped by 35 percent amid safety and mobility barriers.

The healthcare system is in systemic collapse. Hospitals operate at 150 percent bed occupancy, and 65 percent of essential medicines and 70 percent of disposables are unavailable (WHO, 2024). Frequent power outages disable ventilators and dialysis units, increasing preventable mortality by 18 percent (World Bank, 2025).

Mental-health services have almost vanished: there are only 3 psychologists per 100,000 people, down from 12 in 2007. Trauma exposure and displacement have led to widespread post-traumatic stress among children (Kelman & Gravese, 2021). Community health centers experience service interruptions averaging 72 hours monthly due to fuel shortages. Figure 22 shows the damages of schools versus hospitals from the year 2014 to 2024. **Table *20*** provides the Key Social-Service Indicators in 2024.

Figure 28 Education and Health Infrastructure Damage (2014–2024)



Source: UNESCO (2023); WHO (2024).

Table 20 Key Social-Service Indicators, 2024

Sector	Indicator	Pre-Conflict (2010)	Current (2024)
Education	Average class size	31	48
Healthcare	Hospital bed occupancy	90 %	150 %
Mental Health	Psychologists per 100,000	12	3
Water Access	Daily hours of supply	12	4

Sources: UNESCO (2023); WHO (2024); World Bank (2025).

6.5. Chapter Summary

Gaza's infrastructure has become the most visible indicator of systemic collapse and structural violence. Each component—transportation, energy, housing, education, and health—reveals the cumulative impact of blockade, bombardment, and political isolation. Repeated destruction of physical capital prevents the economy from reaching even minimal functional capacity: roads remain impassable, power grids operate at half load, and hospitals and schools function under emergency conditions (World Bank, 2024; UN OCHA, 2025).

The blockade's restrictions on construction materials, fuel, and spare parts transform what should be civilian infrastructure into a controlled mechanism of deprivation. Public services rely on international aid rather than sovereign governance, leading to fragmented recovery and unequal access across districts. In energy and water systems, the dependence on imported fuel and the near-collapse of desalination plants expose how Gaza's infrastructure is deliberately kept below subsistence thresholds.

Housing and urban systems reflect the human dimension of these failures: overcrowding, informal settlements, and the destruction of entire neighborhoods displace hundreds of thousands with each offensive. Education and healthcare sectors—once considered the pillars of social resilience—now operate in survival mode, constrained by damaged facilities, staff shortages, and chronic under-financing (UNESCO, 2023; WHO, 2024).

Together, these patterns confirm that Gaza's infrastructure crisis is not an accidental by-product of conflict but a sustained strategy of economic containment and demographic pressure. The inability to rebuild physical systems perpetuates poverty, hinders mobility, and erodes human capital—creating a feedback loop that links physical destruction to economic stagnation and humanitarian dependency.

In this sense, infrastructure in Gaza embodies the concept of *de-development* (Roy, 1995, 2016): a process in which material progress is deliberately reversed, transforming development from a vehicle of empowerment into an instrument of control. The following chapter (Chapter 8) builds upon this analysis by examining how these infrastructural constraints translate directly into macro- and micro-economic collapse, illustrating how Gaza's economy has converged toward a model of permanent crisis rather than recovery.

CHAPTER 7

Economic Challenges

The economy of Gaza remains trapped in a system of structural dependency, cyclical destruction, and constrained recovery. This chapter analyzes the economic challenges under four interlocking dimensions—blockades and restrictions, political instability and conflict, resource scarcity, and dependence on international aid—each reinforcing the others in a feedback loop that prevents sustainable development and accelerates socioeconomic collapse.

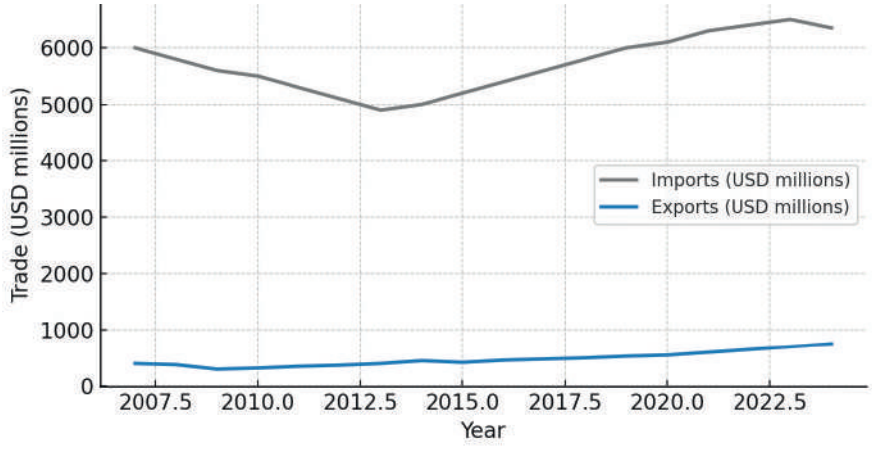
7.1. Blockades and Restrictions

Since 2007, the comprehensive Israeli land, air, and sea blockade has transformed Gaza's economy into a fragmented and externally controlled enclave. Imports of construction materials fell by 78 percent and exports by 96 percent between 2007 and 2024, reducing productive recovery capacity to less than 12 percent per year (PCBS, 2025; Gisha, 2018). "Dual-use" restrictions on cement, steel, and even medical equipment impede reconstruction and the delivery of essential health services.

Commercial shipping remains limited to 3 km offshore, effectively nullifying maritime trade. After the closure of the underground tunnels in 2017—which had previously handled over 70 percent of goods—Gaza became dependent on Israeli-regulated crossings at Kerem Shalom and Karni. The result is an artificial scarcity that inflates prices and suppresses private-sector production. The region now sustains an annual trade deficit of about USD 1 billion, with informal markets and smuggling networks substituting for formal trade channels, further distorting price mechanisms.

Figure 23 illustrates the widening gap between exports and imports from 2007 to 2024, showing persistent import dependency and an export-to-import ratio under 12 percent by 2024.

Figure 29 Export and Import Trends under Blockade (2007–2024)



Source: PCBS (2025); Gisha (2018).

Table 21 summarizes key trade-flow indicators over the same period, confirming the near-total collapse of Gaza's export capacity.

Table 21 Trade Flow and Import Dependence, 2007–2024

Year	Exports (USD millions)	Imports (USD millions)	Export/Import Ratio (%)
2007	400	6000	6.7
2014	450	5200	8.6
2020	600	6300	9.5
2024	750	6350	11.8

Source: PCBS (2025); Gisha (2018).

7.2. Political Instability and Conflict

Recurrent military assaults have been the most direct and devastating source of economic contraction. Major operations in 2008–09, 2012, 2014, 2021, and 2023–24 produced GDP losses ranging between 15 and 42 percent and widespread destruction of physical and human capital (PMA, 2025;

Roy, 2016). During the 2023–24 offensive alone, quarterly GDP fell by 42 percent, and unemployment exceeded 60 percent. Each round of conflict displaced roughly one-third of households, halted education, and crippled local governance capacity.

Investor confidence has evaporated. Private investors report risk premiums averaging 45 percent above global norms, while insurance costs for commercial property make enterprise nearly impossible. Cross-border supply chains are repeatedly severed by sudden border closures and permit revocations, disrupting manufacturing inputs and export schedules.

Social cohesion has also eroded. Surveys show community-trust indices declining by 25 percent after each major offensive, weakening collective mechanisms required for post-war recovery (UNDP, 2023). The resulting uncertainty embeds a cycle of fragility in which reconstruction cannot proceed before the next episode of destruction.

Figure 24 traces the Gaza GDP index alongside major conflict years, visualizing abrupt contractions that coincide with each military campaign.

Figure 30 GDP Index and Conflict Events (2007–2024)

Source: PMA (2025); Roy (2016).

Table 22 details the corresponding employment and output losses.

Table 22 GDP and Employment Impact of Major Conflicts, 2008–2024

Year	Conflict	GDP Contraction (%)	Employment Loss (%)
2008–09	Operation Cast Lead	-18	-22
2012	Pillar of Defense	-15	-20
2014	Protective Edge	-22	-27
2021	Guardian of the Walls	-19	-25
2023–24	Genocide Offensive	-42	-45

Source: PMA (2025); World Bank (2024).

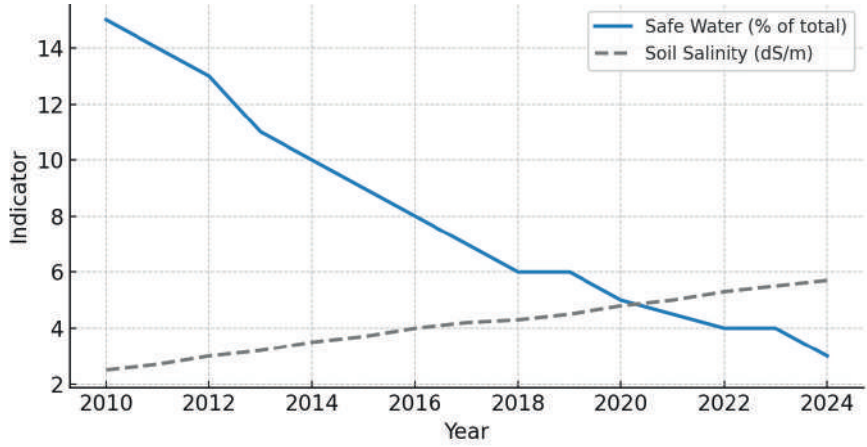
7.3. Resource Scarcity and Environmental Issues

Environmental degradation magnifies Gaza's economic decline. The enclave's only coastal aquifer yields roughly 50 million m^3 of water annually, but 96 percent is unfit for consumption, necessitating water imports valued at USD 50 million per year (UNEP, 2023). Waterborne disease incidence has risen 28 percent since 2015, a trend linked to 18-hour daily power outages that disable sewage and desalination facilities (Kelman & Gravese, 2021).

Excessive extraction has caused severe seawater intrusion, raising soil salinity and shrinking cultivable farmland by 17 percent since 2010. Simultaneously, the destruction of solid-waste infrastructure in 2023 left 64 percent of garbage uncollected, exacerbating vector-borne diseases. Climate projections suggest a 2 °C temperature increase by 2050, which would further stress water resources and heighten food insecurity in a territory already 90 percent dependent on imported food.

Figure 25 shows the simultaneous decline in potable-water share and the rise in soil salinity between 2010 and 2024.

Figure 31 Water Quality and Soil Salinity Trends (2010–2024)



Source: UNEP (2023); Kelman & Gravese (2021).

Table 23 provides quantitative indicators of water quality, waste collection, and soil conditions.

Table 23 Water and Waste Indicators, 2010–2024

Year	Potable Water Share (%)	Soil Salinity (dS/m)	Uncollected Waste (%)
2010	15	2.5	20
2015	10	3.5	35
2020	6	4.5	50
2024	3	5.7	64

Source: UNEP (2023); Kelman & Gravese (2021).

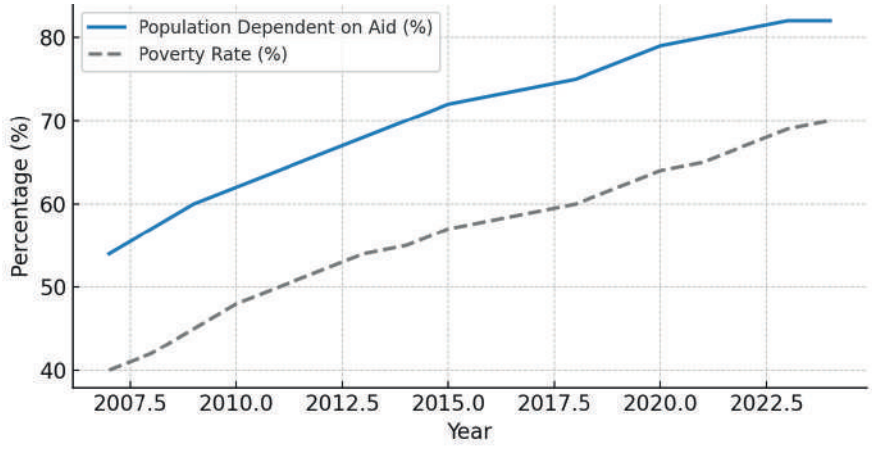
7.4. Dependency on International Aid

By 2024, 82 percent of Gaza's population relied on humanitarian assistance—up from 54 percent in 2007 (UN OCHA, 2025; El-Ghandour & Yassin, 2018). Aid inflows accounted for 28 percent of GDP, distributed through more than 100 agencies, often operating with overlapping mandates. Coordination deficits cause duplication: for instance, 22 separate shelter programs function independently, reducing overall effectiveness.

Most households (68 percent) use assistance solely for food rather than investment, perpetuating consumption-based dependency. Average cash transfers—USD 150 per month—fall far below the USD 250 poverty threshold, forcing families to incur debt from informal lenders charging 20 percent interest (UNRWA, 2024). Programs designed to promote resilience, such as cash-for-work and micro-finance initiatives, reach only 12 percent of the needy population, leaving structural dependence unbroken.

Figure 26 compares the evolution of aid reliance and poverty rates from 2007 to 2024, demonstrating their near-perfect correlation.

Figure 32 Aid Dependence and Poverty Rates (2007–2024)



Source: UN OCHA (2025); El-Ghandour & Yassin (2018).

Table 24 presents these dynamics quantitatively, linking humanitarian inflows to GDP share and poverty levels.

Table 24 Humanitarian Aid Dependence and GDP Share, 2007–2024

Year	Aid Dependence (%)	Aid Share of GDP (%)	Poverty Rate (%)
2007	54	15	40
2014	68	20	52
2020	79	26	65
2024	82	28	70

Source: UN OCHA (2025); El-Ghandour & Yassin (2018).

7.5. Chapter Summary

Gaza's economy operates under conditions of engineered scarcity and enforced dependency. Each of the four dimensions analyzed—blockade and trade restrictions, political instability, environmental collapse, and aid dependency—interacts to form a structural system of economic de-development (Roy, 2016). Rather than functioning as temporary constraints, these conditions constitute a permanent architecture of economic control that erodes the foundations of productive capacity, labor participation, and market functionality.

The blockade—now in its eighteenth year—has transformed Gaza from a once-exporting industrial base into a consumption-driven enclave. Import restrictions, limited access to raw materials, and destroyed trade corridors have reversed industrialization, while repeated wars erase capital accumulation. As Figures 22 and 23 illustrate, every episode of conflict coincides with deep contractions in GDP and employment, leaving the private sector perpetually in recovery mode.

Environmental degradation compounds this fragility. Gaza's only aquifer has become saline and depleted, while climate stress and waste-system collapse undermine agriculture and public health. Figure 24 demonstrates the direct relationship between declining potable-water availability and rising soil salinity, symbolizing how environmental decay and economic collapse reinforce one another (UNEP, 2023; Kelman & Gravese, 2021).

Finally, international aid—while preventing humanitarian catastrophe—has entrenched a cycle of dependency. With over 80 percent of the population reliant on external assistance and aid flows representing nearly one-third of GDP, Gaza's economy functions as an externally subsidized survival system rather than a self-sustaining market (UN OCHA, 2025). As Figure 25 and **Table 21** show, aid dependence and poverty move in near-perfect correlation, demonstrating that humanitarian aid has replaced development rather than supported it.

These interlocking crises reveal that Gaza's economy is not merely underperforming—it is converging toward what may be termed a "genocide economy": a state in which economic collapse is perpetuated through the systematic destruction of productive infrastructure, environmental viability, and human agency. This convergence is not accidental but the result of a sustained political and military structure that ensures economic stagnation as a tool of domination.

Understanding Gaza's economic condition thus requires moving beyond traditional development frameworks to quantitative modeling that captures

these cyclical shocks and long-run constraints. The next chapter develops this analytical foundation by introducing macroeconomic and econometric models that quantify Gaza's economic convergence toward systemic collapse, providing empirical grounding for the theoretical and historical narrative built so far.

CHAPTER 8

Economic Policy and Governance

Economic governance in Gaza operates within a fragmented and externally constrained system that severely limits fiscal sovereignty, policy coordination, and development planning. The overlapping authorities of Hamas, the Palestinian Authority (PA) in the West Bank, and international donors create a multi-layered administrative structure characterized by duplication, inefficiency, and political contestation. These dynamics—combined with Israel's control over borders, resources, and trade—have transformed Gaza's public administration into a model of "governance under siege" (Roy, 2016).

This chapter examines Gaza's governance framework through four dimensions—political authority, economic policy, fiscal management, and relations with international partners—to assess how institutional fragmentation perpetuates economic collapse and limits recovery.

8.1. Role of Hamas and Other Political Entities

Since assuming de facto control in 2007, Hamas has established an autonomous fiscal and administrative apparatus separate from the PA. Its taxation system—including a 10 percent levy on goods and services—accounts for roughly 35 percent of Gaza's public revenue, while the remainder derives primarily from external donors such as Qatar and Iran (Roy, 2016). This heavy donor dependence constrains fiscal sovereignty and embeds conditional political alignment.

Hamas functions as both a political and fiscal authority in Gaza, administering local taxation while relying heavily on foreign funding. As shown in **Table 25**, local taxes and fees—mainly levies on goods, services, and vehicles—contribute roughly 35 percent of total public revenue, while external donors

such as Qatar and Iran finance nearly 45 percent. International organizations, including UNRWA and NGOs, provide the remainder through in-kind and project-based assistance (PMA, 2025; Roy, 2016).

However, fiscal sovereignty remains sharply limited. Israel retains control over Gaza's external borders, customs points, and imports designated as "dual-use," which constrains local tax collection and trade-related revenue (UNCTAD, 2023). The absence of a unified national treasury and the lack of interoperability between Hamas' Ministry of Finance and the PA's Ministry of Finance in Ramallah have institutionalized fragmentation. Within Gaza, overlapping bureaucracies complicate economic governance. As of 2024, 14 different regulatory bodies issue commercial permits and business licenses, creating legal ambiguity, high compliance costs, and opportunities for rent-seeking, as well as generating overlapping mandates that raise compliance costs by an estimated 18 percent of annual business revenue (World Bank, 2024). This regulatory chaos discourages private investment and reinforces the dominance of informal markets, which now account for nearly half of all economic activity (ESCWA, 2024). This fragmentation obstructs private-sector development, undermines investor confidence and perpetuates informal market practices.

Table 25 Composition of Gaza's Public Revenues (2024)

Source of Revenue	**Estimated Share (%)**	**Description**
Local taxes & fees	35	Customs, goods levy, vehicle licensing, VAT-equivalent
External donors (Qatar, Iran, charities)	45	Direct budgetary and welfare transfers
International organizations (UNRWA, NGOs)	15	Project-linked or in-kind contributions
Other (municipal services, tariffs)	5	Minor local fees and charges

Source: PMA (2025); Roy (2016); World Bank (2024).

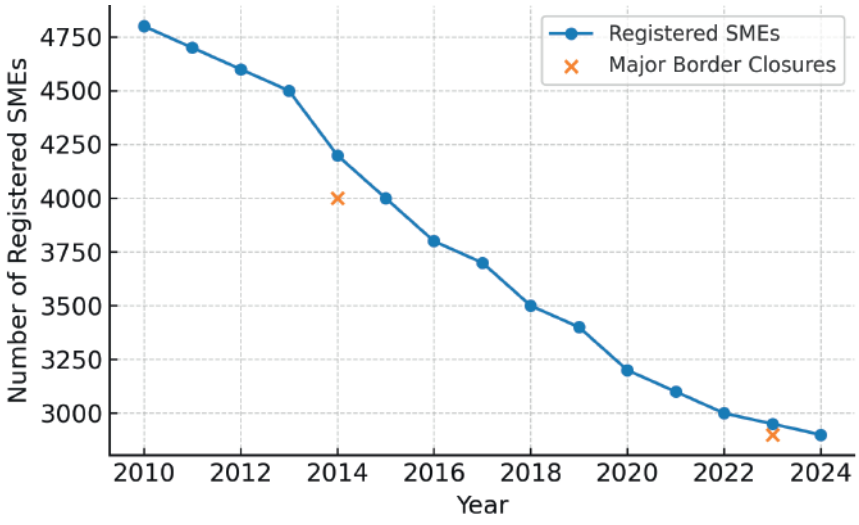
8.2. Economic Policies and Reforms

Reform initiatives in Gaza's economic policy are typically reactive—implemented after conflict or in response to donor conditionalities. For instance, the 2015 tariff realignment modestly increased private imports by 12 percent, yet the 2017–2018 border closures eliminated those gains, leading to a 30 percent contraction in registered small and medium enterprises (SMEs)

(Ahmed & Halabi, 2021). Attempts to modernize customs and streamline border procedures, including electronic clearance systems, briefly reduced clearance time from 12 days to 7, but these improvements collapsed after renewed hostilities. Micro-enterprise credit programs—offering loans between USD 500 and 5,000—report utilization below 3 percent, constrained by limited collateral options and deep distrust in banking institutions. Micro-enterprise finance remains underdeveloped: only 3 percent of eligible entrepreneurs access loans due to collateral barriers, political risk, and mistrust in banks.

Figure 27 illustrates the long-term decline in registered SMEs (2010–2024) and the timing of major border closures. Each period of closure—2014 and 2023 in particular—corresponds with steep declines in formal employment, export capacity, and investment confidence (PMA, 2025; PCBS, 2024). Beyond SMEs, the lack of fiscal coordination between Hamas and the PA prevents unified macroeconomic strategy. Efforts to harmonize tax policy or social protection systems have failed, leaving Gaza subject to parallel regulations that confuse investors and international partners alike (World Bank, 2024). Furthermore, the absence of capital mobility and financial market access has inhibited the development of public–private partnerships (PPPs). According to IMF (2024) assessments, Gaza lacks the institutional preconditions—legal guarantees, creditworthiness, and transparency—to attract sustainable private capital.

Figure 33 Gaza's Registered SMEs and Border Closures (2010–2024)



8.3. Budget and Financial Management

Fiscal governance in Gaza reflects a combination of under-execution, arrears accumulation, and heavy reliance on high-cost domestic borrowing. **Table 26** shows that budget execution declined from 68 percent in 2020 to 50 percent in 2024, while fiscal deficits widened from USD 190 million to 270 million. Debt servicing costs rose from 7 to 15 percent of recurrent expenditure, financed primarily through municipal bonds with interest rates exceeding 12 percent (PMA, 2025). This fiscal stress stems from donor volatility, revenue stagnation, and inflation-driven cost overruns. Figure 28 displays the co-movement between declining budget execution and the widening fiscal gap (2020–2024), illustrating the erosion of Gaza's fiscal capacity (World Bank, 2024).

Public financial management practices are further hampered by fragmented accounting systems and a lack of external auditing. While the PA applies international public-sector accounting standards (IPSAS), Hamas' Ministry of Finance relies on manual reporting, preventing consolidated fiscal statements for the Palestinian territories (IMF, 2024). The result is a parallel fiscal order reliant on cash-based budgeting, ad hoc donor inflows, and politically motivated allocations.

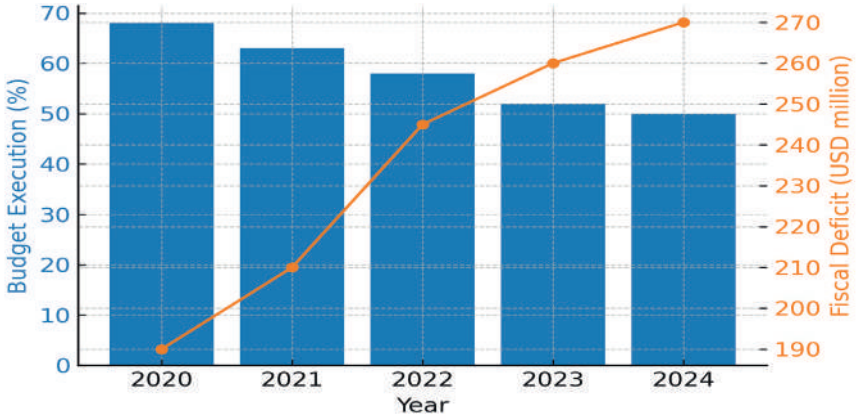
Capital projects suffer average cost overruns of 35 percent amid inflation and donor conditionalities, undermining public trust and eroding fiscal credibility. The absence of a central treasury system forces ministries to manage separate accounts, encouraging off-budget transactions and opaque reporting.

Table 26 Selected Fiscal Indicators for Gaza (2020–2024)

Year	Budget Execution (%)	Fiscal Deficit (USD million)	Debt Service (% of Expenditure)	Donor Disbursement Rate (%)
2020	68	190	7	72
2021	63	210	9	65
2022	58	245	11	59
2023	52	260	14	55
2024	50	270	15	52

Source: Palestine Monetary Authority (2025); World Bank (2024).

Figure 34 Gaza's Budget Execution and Fiscal Gap (2020–2024)



Source: Palestine Monetary Authority (2025); World Bank (2024).

8.4. Relations with International Organizations

Despite structural isolation, international institutions continue to shape Gaza's development agenda. Since 2018, partnerships with the UN Development Programme (UNDP) and the World Bank have allocated approximately USD 175 million to infrastructure, energy, and governance projects (UNDP, 2023). **Table 27** details the primary donors and execution rates. However, implementation remains fragile: roughly 20 percent of projects experience delays due to import bans on cement, steel, and fuel (UN OCHA, 2024). Coordination is further undermined by the absence of unified planning frameworks—donors often operate through separate clusters, producing duplication and uneven coverage. Joint aid committees are active in only 4 of 25 municipalities, leaving rural areas largely excluded from direct development funding, deepening spatial inequality (World Bank, 2024).

Beyond development assistance, humanitarian actors play a dominant role in basic service delivery. In 2024, 82 percent of Gaza's population received some form of humanitarian support, with UNRWA alone serving 1.6 million beneficiaries (UN OCHA, 2024). Such aid, while life-sustaining, crowds out local governance capacity and reinforces dependency.

The disconnect between donor priorities and local capacity produces fragmented outcomes—projects often serve immediate relief needs but fail to address structural economic constraints or build institutional resilience.

Table 27 Selected Donor Commitments and Execution Rates (2018–2024)

Donor/ Agency	Sector	Amount (USD million)	Execution Rate (%)	Notes
UNDP	Urban Infrastructure	70	78	Delays due to import bans
World Bank	Municipal Services	50	73	Conditional on PA coordination
EU	Public Health	30	68	Interrupted 2023–24 offensive
Qatar Fund	Reconstruction & Housing	25	55	Fuel and cement restrictions

Source: UNDP (2023); UN OCHA (2024); PMA (2025).

8.5. Chapter Summary

This chapter demonstrated that economic policy and governance in Gaza are characterized by fragmentation, donor dependence, and limited sovereignty. The division between Hamas and the Palestinian Authority has produced dual administrations, duplicated institutions, and conflicting regulatory systems that undermine policy coherence. Fiscal policy remains reactive and externally conditioned rather than development-driven.

The evidence shows that short-term reforms—such as tariff adjustments and customs streamlining—yield transient gains quickly erased by border closures and political shocks. Budget execution is chronically low, public debt costs are rising, and aid flows are disjointed from local planning. International partnerships mitigate immediate humanitarian needs but rarely translate into sustainable institutional capacity or productive investment.

Ultimately, Gaza's governance structure reflects a system of *administrative survival* rather than development. Political fragmentation, external control, and economic collapse reinforce each other in a self-perpetuating cycle of dependency. Without political reconciliation, institutional unification, and sovereign control over fiscal resources, policy reform will remain symbolic.

The next chapter builds on this analysis by examining Palestine's external relations and trade structure, showing how international agreements, sanctions, and regional politics shape the country's economic isolation and its limited pathways to reconstruction.

CHAPTER 9

International Relations and Trade

Gaza's external relations and trade patterns are central to understanding the enclave's economic collapse. Once an integrated part of the regional economy, Gaza has become one of the most isolated territories in the world.

This chapter analyzes the evolution of Gaza's international trade relations, regional interactions, and the effects of sanctions and aid conditionality from 2005–2024, using official data from the PCBS, the World Bank, the UN Conference on Trade and Development (UNCTAD), and the IMF. It highlights how trade isolation, political blockade, and donor dependency have transformed the Palestinian economy from a semi-independent production system into what this study defines as a genocide economy—one structurally dependent on humanitarian aid and external control rather than productive exchange.

9.1. Trade Agreements and Restrictions

Palestine's trade framework operates under partial autonomy, constrained by the Paris Economic Protocol (1994), which integrated its customs policy with Israel's. Under this regime, all imports and exports must pass through Israeli-controlled crossings, limiting Palestinian fiscal sovereignty (World Bank, 2024).

Gaza's exclusion from the Qualified Industrial Zone (QIZ) program, which grants duty-free access to U.S. markets for goods jointly produced with Israel and Egypt, has severely curtailed exports. As illustrated in **Table 28** and Figure 38, manufacturing exports plunged by nearly 88 percent, from USD 125 million in 2010 to USD 15 million in 2024 (EU, 2020; UNCTAD, 2023). This collapse mirrors the progressive

destruction of industrial capacity and the barriers to origin verification under the Agadir Agreement, which has not been fully operationalized due to the occupation and lack of territorial contiguity.

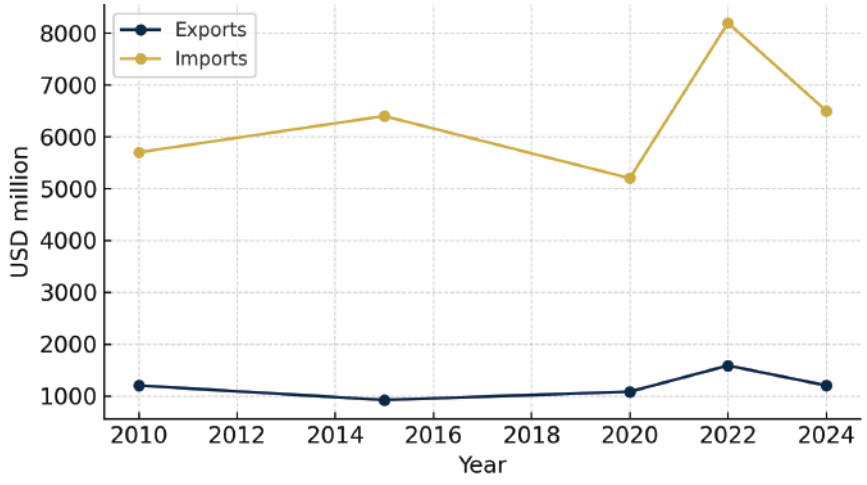
Between 2010 and 2024, Gaza's import volume fell by 70 percent, with "dual-use" restrictions limiting the entry of construction materials, electronics, and fuel (PCBS, 2025). Import permits must be approved by Israeli authorities, producing delays averaging 45 days per shipment and increasing transaction costs by 30 percent (World Bank, 2024). The result is an economy dominated by consumption and smuggling rather than productive trade.

Table 28 Palestinian Exports and Imports of Goods (2010–2024)

Year	Exports (USD million)	Imports (USD million)	Trade Balance (USD million)
2010	1200	5700	-4500
2015	920	6400	-5480
2020	1080	5200	-4120
2022	1585	8197	-6612
2024	1200	6500	-5300

Source: PCBS (2025); World Bank (2024); UNCTAD (2023).

Figure 35 Palestinian Exports and Imports (2010–2024)



Source: PCBS (2025); World Bank (2024).

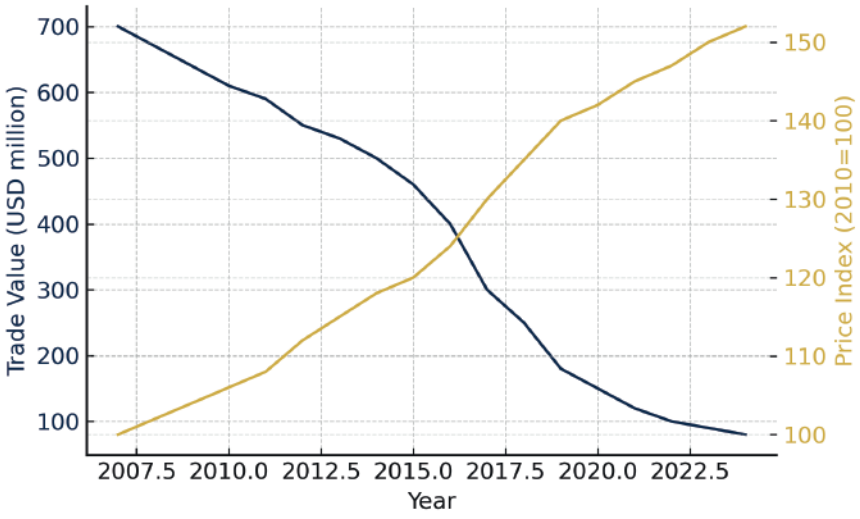
The figure shows chronic trade imbalance, with imports consistently four to six times higher than exports, underscoring the structural dependency on foreign supply chains and the near absence of export-led growth.

9.2. Relations with Neighboring Countries

Gaza's links to Egypt and Israel define its economic survival. Since 2013, Egypt has imposed severe controls on the Rafah border crossing, capping entries at 500 people per day (compared to 5,000 in 2012), which restricts labor mobility and trade (Eltantawy, 2019; UN OCHA, 2024). Israel retains control over the Kerem Shalom and Erez crossings, through which virtually all commercial goods must pass.

Between 2007 and 2017, underground tunnels between Gaza and Egypt sustained informal trade worth up to USD 700 million annually, employing an estimated 15,000 workers (Roy, 2016). After Egypt's 2017 closure campaign, tunnel activity plummeted by 85 percent, eliminating thousands of jobs and increasing commodity prices by 35 percent. Figure 39 illustrates the sharp decline of informal trade flows and the rising cost of living that followed.

Figure 36 Informal Trade Flow via Tunnels and Consumer Prices (2007–2024)



Source: PCBS (2025); UNCTAD (2023); World Bank (2024).

The figure shows that as tunnel trade collapsed after 2017, consumer prices spiked by over 30 percent, reflecting import dependence and supply constraints. This disruption not only affected trade volumes but also the livelihoods of tens of thousands of workers previously engaged in cross-border commerce.

9.3. Impact of International Sanctions and Aid

After Hamas' 2006 electoral victory, international sanctions led to a 35 percent GDP contraction by 2008 and a 70 percent decline in foreign investment (IMF, 2024). Restrictions on financial transactions cut Gaza off from international banking networks, forcing dependence on cash and informal remittance channels (World Bank, 2024).

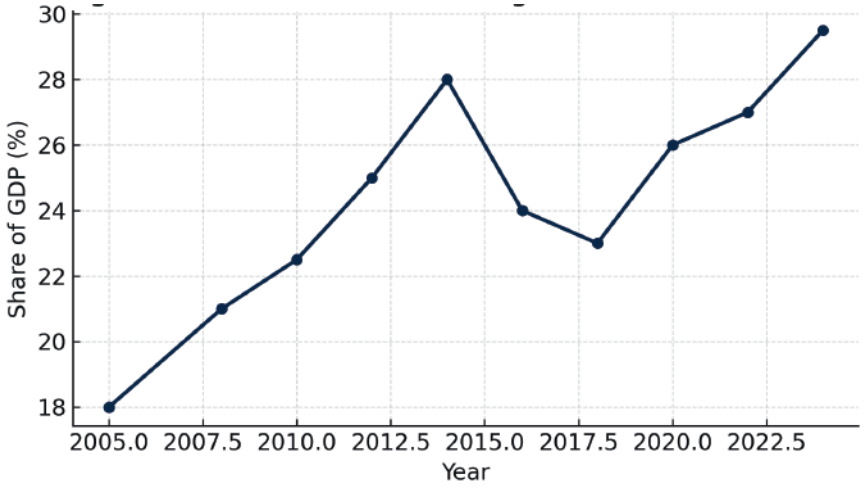
Humanitarian aid has replaced productive investment as the main source of income. As shown in **Table 29**, aid inflows averaged USD 2.6 billion annually between 2010 and 2024, equivalent to roughly 25–30 percent of Palestinian GDP (UN OCHA, 2024; World Bank, 2024). Figure 40 illustrates the trend of aid as a share of GDP, showing a temporary rise after each war followed by plateaus—evidence of crisis-response rather than development-oriented assistance.

Table 29 Humanitarian Aid Inflows to Palestine (2010–2024)

Year	Aid Inflows (USD billion)	Share of GDP (%)
2010	2.1	22.5
2012	2.5	25.0
2015	2.8	27.4
2018	2.4	23.0
2020	2.6	26.0
2022	2.7	27.0
2024	3.0	29.5

Source: World Bank (2024); UN OCHA (2024); PCBS (2025).

Figure 37 Aid as a Percentage of GDP (2005–2024)



Source: World Bank (2024); UN OCHA (2024); PCBS (2025).

Aid volumes spike during crises (2009, 2014, 2023) but decline in interwar periods, reflecting a reactive humanitarian pattern rather than sustained development. While aid keeps basic services afloat, it also reinforces import dependence and discourages local production. By 2024, over 80 percent of Gaza's population depended on aid for basic food and shelter (UN OCHA, 2024).

9.4. Chapter Summary

Chapter 10 illustrates how Palestine's external economic relations have shifted from partnership to isolation. The collapse of manufacturing exports (**Table 28**; Figure 38) and the erosion of cross-border trade (Figure 39) underscore how blockade and regional closure eliminate productive exchange. International sanctions and donor conditionalities have transformed aid into a substitute for sovereign policy space (**Table 29**; Figure 40). This structure perpetuates a dependency cycle: aid rises after each war but never builds capacity for self-sufficiency. Gaza's foreign relations thus exemplify a paradox of "humanitarian containment" — sustaining life without enabling economic recovery.

The next chapter builds on these findings by analyzing macroeconomic adjustment and policy responses, linking external dependence to the internal constraints of fiscal policy and labor markets within the Palestinian economy.

CHAPTER 10

Case Studies

Local and international experiences in Gaza reveal both the potential for micro-scale recovery and the systemic barriers preventing sustainable reconstruction.

This chapter presents three case studies—local enterprise resilience, humanitarian vocational training, and cash-for-work interventions—to illustrate how targeted initiatives can temporarily mitigate collapse but cannot overcome the macro-structural blockade that defines Gaza's economy.

10.1. Successful Local Enterprises

Despite extreme restrictions, a limited number of enterprises in Gaza demonstrate adaptive capacity and community-based resilience. One prominent example is the Gaza Fair Trade Cooperative (GFTC), which organizes more than 1,500 olive-farming households across Khan Younis, Rafah, and Deir al-Balah. Between 2015 and 2022, the cooperative scaled olive-oil exports by 170 percent, reaching USD 3.5 million annually through partnerships with ethical trade networks in Europe and North America (Journal of Palestinian Economic Studies, 2023; FAO, 2024). GFTC's model integrates climate-resilient agriculture, gender inclusion (36 percent women participation), and cooperative marketing, reducing transaction costs by 22 percent relative to fragmented smallholders. **Table *30***summarizes GFTC's export growth and revenue trends.

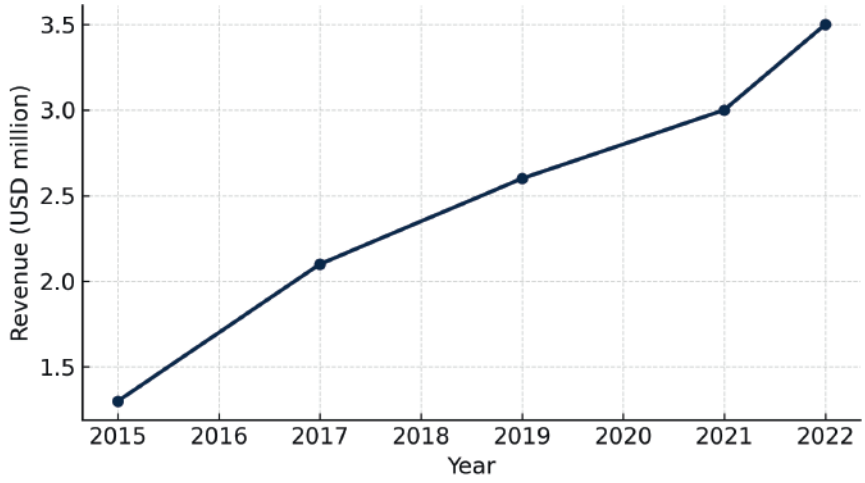
Table 30 Olive Oil Export Performance of Gaza Fair Trade Cooperative (2015–2022)

Year	Volume (tons)	Export Revenue (USD million)	Annual Growth (%)
2015	420	1.3	0
2017	590	2.1	18
2019	670	2.6	10
2021	720	3.0	8
2022	780	3.5	7

Source: Journal of Palestinian Economic Studies (2023); EAO (2024); PCBS (2025).

Figure 41 plots the export revenue trajectory, showing steady increases despite repeated conflict disruptions (2018 and 2021).

Figure 38 Olive Oil Export Revenue of GFTC (2015–2022)



Source: EAO (2024); PCBS (2025).

The success of GFTC demonstrates that small-scale, value-added agricultural exports can survive blockade conditions through international solidarity networks and cooperative financing. However, expansion remains limited by the ban on commercial exports through Gaza's main crossings and the destruction of storage infrastructure during the 2023–2024 war (UNCTAD, 2023).

10.2. Humanitarian and Development Projects

Humanitarian interventions have attempted to offset Gaza's unemployment crisis through technical training and entrepreneurship programs. The UNRWA Vocational Training Program (VTP), operational since 2018, has trained 12,000 youth, with 48 percent securing employment or starting SMEs within six months of graduation (UNRWA, 2023). As shown in **Table 31**, the average household income of graduates increased by 22 percent, particularly among women and displaced youth.

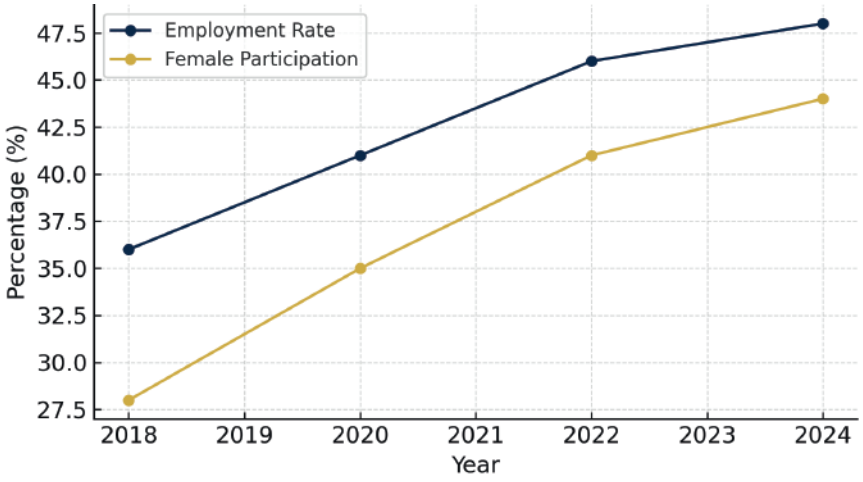
Table 31 UNRWA Vocational Training Outcomes (2018–2024)

Indicator	2018	2020	2022	2024
Total Participants	1200	2300	3500	5000
Female Share (%)	28	35	41	44
Employment Rate after 6 Months (%)	36	41	46	48
Average Household Income Change (%)	10	16	19	22

Source: UNRWA (2023); PCBS (2025).

Figure 42 visualizes the rise in post-training employment, highlighting the gender gap narrowing modestly over time.

Figure 39 Employment Outcomes after UNRWA Vocational Training (2018–2024)



Source: UNRWA (2023); World Bank (2024).

These results suggest that skill-oriented interventions can temporarily improve livelihoods even in fragile economies. However, structural constraints, import restrictions, limited capital access, and recurrent displacement, undermine long-term job creation. By 2024, only one-third of graduates remained employed in the same field, reflecting the volatility of Gaza's labor market (ESCWA, 2024).

10.3. Impact of International Interventions

Beyond training, direct cash-transfer and employment-generation programs have played a stabilizing role. The Norwegian Refugee Council (NRC) Cash-for-Work Program (2023) injected USD 22 million into local markets, generating 16,000 temporary jobs and reducing food insecurity in targeted governorates by 18 percent (NRC, 2024). Multiplier analysis by UNDP (2024) estimates a local spending multiplier of 1.7, meaning each USD 1 distributed generated USD 1.70 in local circulation. **Table 32** provides the NRC Cash-for-Work Program Key Outcomes in 2023.

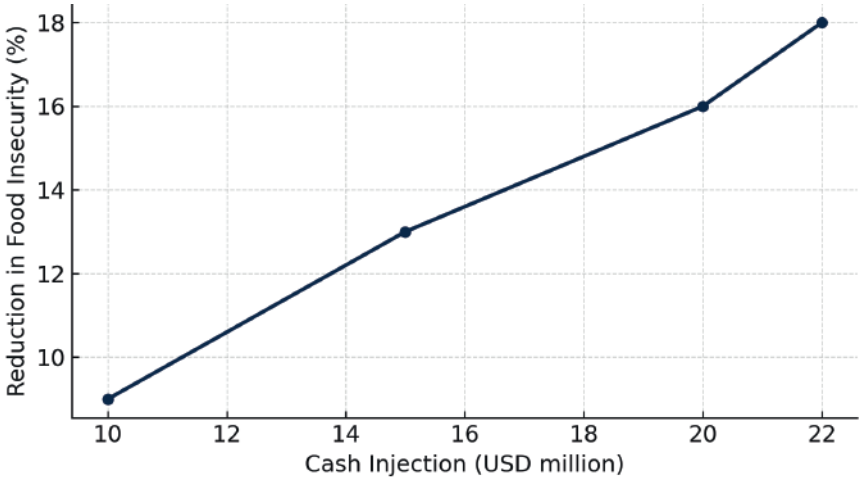
Table 32 NRC Cash-for-Work Program Key Outcomes (2023)

Indicator	**Value**
Budget (USD million)	22
Beneficiaries (families)	16000
Jobs Created	16000
Average Monthly Wage (USD)	260
Reduction in Food Insecurity (%)	18
Estimated Multiplier Effect	1.7

Source: NRC (2024); UNDP (2024).

Figure 43 shows the relationship between cash injections and reductions in food insecurity. The positive linear association confirms short-term stabilization effects, though benefits fade after program completion.

Figure 40 Cash Transfers and Food Insecurity Reduction (2023)



Source: NRC (2024); UNDP (2024).

While such interventions mitigate humanitarian distress, they do not replace structural recovery. Without sustained access to markets and capital infrastructure, donor-funded cash programs remain palliative rather than transformative (World Bank, 2024).

10.4. Chapter Summary

Chapter 11 illustrates micro-level resilience within a macro-level collapse. Local cooperatives such as GFTC demonstrate that collective production and fair-trade partnerships can sustain limited export growth (**Table 30**; Figure 11.1). UNRWA's vocational training (**Table 31**; Figure 11.2) highlights how skills development improves employability and income but remains constrained by Gaza's isolation. Finally, NRC's cash-for-work program (**Table 32**; Figure 11.3) reveals the capacity of targeted aid to temporarily stimulate demand, though its impact dissipates without structural reform. Together, these case studies underscore a paradox: resilience exists but cannot scale under blockade. While local actors adapt through innovation and solidarity, the persistence of external control transforms recovery into mere survival.

The next chapter builds on these lessons by examining macroeconomic adjustment and reconstruction strategies, exploring how micro-level resilience can inform post-genocide rebuilding of Palestine's economic system.

CHAPTER 11

The War Economy and the Genocide Economy

Armed conflict has long-shaped economic outcomes in fragile and occupied territories, yet not all conflict-driven economies are structurally or morally equivalent. While the concept of a war economy has been widely used to describe how production, labor, trade, and institutions adapt under conditions of violence and insecurity, recent developments in Gaza, and on a lower degree in the West Bank, demand a more precise and consequential analytical framework. The scale, duration, and intentionality of destruction witnessed in Gaza, as well as in both Jenin Refugee Camp and Nur Shams Refugee Camp in Tulkarem since October 2023, cannot be fully explained by conventional war-economy models. Instead, they point toward a qualitatively different economic formation—one in which economic systems are deliberately dismantled to undermine the very conditions of life, recovery, and demographic continuity.

This chapter situates the Palestinian experience within the broader political economy of conflict by distinguishing between war economies and genocide economies. It argues that while war economies distort development trajectories and entrench inefficiencies, genocide economies represent a deeper rupture: an economic architecture designed not merely to sustain conflict, but to facilitate dispossession, forced dependency, and long-term erasure of a targeted population's means of existence. In this sense, economics is not a collateral casualty of violence, but one of its primary instruments.

The chapter builds on the empirical foundations laid in earlier chapters—particularly the analysis of sectoral collapse, labor-market disintegration, infrastructure destruction, and trade dependency—to provide a conceptual lens through which these outcomes can be interpreted as part of a coherent economic logic rather than isolated humanitarian failures. By grounding the

discussion in established conflict-economy literature while extending it to the notion of genocide economy, the chapter bridges theory and lived reality, connecting abstract economic models to material devastation.

Understanding this distinction is critical for three reasons. First, it clarifies why standard post-conflict recovery frameworks fail in Gaza: genocide economies are structurally non-convergent and resistant to recovery without fundamental political transformation. Second, it reframes humanitarian aid from a neutral intervention to a contested economic mechanism that may stabilize survival while entrenching dependency. Third, it establishes the analytical foundation for the book's central claim—that the Palestinian economy has been forcibly pushed along a trajectory of convergence away from development and toward systemic economic annihilation.

The sections that follow first define and contextualize war economies and genocide economies through theory and real-world examples. They then compare the two frameworks directly, highlighting differences in intent, structure, and long-term economic consequences, before concluding with a synthesis that situates Gaza within this broader analytical paradigm

11.1. Definition of a war economy and examples

A war economy refers to an economic system in which patterns of production, exchange, labor allocation, governance, and social behavior are shaped primarily by prolonged armed conflict rather than peacetime market incentives. In such economies, survival, military sustainability, and adaptation to insecurity replace productivity, efficiency, and long-term growth as the dominant organizing principles (Harrison, 1998; Keen, 2012). Economic rationality itself is transformed, as households, firms, and institutions prioritize risk avoidance, mobility, rent-seeking, and external dependence over capital accumulation and innovation (North, 1990).

As documented in the Gaza and Syria cases, productive investment is systematically discouraged due to high probabilities of physical destruction, unstable access to inputs, and unpredictable market conditions (World Bank, 2020). Fixed capital formation collapses, reinforcing deindustrialization and long-term stagnation rather than cyclical downturns. Economic activity shifts toward sectors that can operate under extreme uncertainty, such as informal trade, small-scale services, aid-related employment, and survival-based commerce (Kaldor, 2012).

Labor markets in war economies become structurally distorted. Employment concentrates in humanitarian aid, public administration, emergency programs, and informal survival activities rather than in productive manufacturing or

export-oriented sectors. Aid-funded jobs and cash-for-work schemes provide income stabilization but do not generate sustainable value creation, producing a dual labor market characterized by dependency and precarity (Collier et al., 2003).

Trade patterns are similarly distorted. War economies typically become heavily import-dependent, while exports collapse due to insecurity, blockade, and loss of competitiveness. Scarcity and regulatory barriers create opportunities for rent-seeking and monopoly control by intermediaries who regulate access to essential goods. Informal trade, smuggling, and price arbitrage emerge as rational responses to constraint rather than criminal anomalies (Harrison, 1998; Rockoff, 2012).

A contemporary example of a war economy is Syria (2011–present). Prolonged conflict produced severe GDP contraction, hyperinflation, currency collapse, territorial fragmentation, and the emergence of multiple competing war economies based on smuggling, aid diversion, and militarized resource control (World Bank, 2020; UN ESCWA, 2019).

11.2. Definition of a genocide economy and examples

A genocide economy represents a more extreme and qualitatively distinct form of conflict economy. While a war economy restructures economic activity to sustain conflict, a genocide economy reorganizes economic, institutional, and social systems to facilitate, normalize, and materially benefit from the systematic destruction of a targeted population. Violence in such an economy is not incidental but constitutive, embedded within property regimes, labor markets, trade systems, and governance structures (Keen, 2012; Scheidel, 2017).

Genocide economies are characterized by the deliberate destruction of livelihoods, housing, healthcare systems, education, and productive capacity belonging to the targeted group. Property confiscation, asset stripping, siege-induced deprivation, and denial of reconstruction rights become central economic tools. Survival is rendered structurally impossible, forcing displacement, dependency, or death (UN Development Programme, 2021).

Unlike war economies—where humanitarian aid may mitigate collapse—genocide economies often instrumentalize humanitarian systems themselves. Aid functions as a mechanism of containment rather than recovery, sustaining minimal survival without enabling reconstruction, autonomy, or demographic continuity (World Bank, 2020).

A defining feature of genocide economies is demographic engineering. Forced displacement, destruction of health systems, educational collapse, and chronic deprivation reshape population structures across generations, producing permanent biological and social scarring (Ghobarah et al., 2003; UNICEF, 2021).

Empirical examples include Myanmar (Rohingya population) and Sudan (Darfur), where economic exclusion, land confiscation, aid obstruction, and systematic deprivation accompanied mass violence and displacement, embedding genocide within economic systems rather than treating it as a temporary wartime outcome (UN OCHA, 2021; UNDP, 2021).

11.3. War Economy vs Genocide Economy

While war economies and genocide economies share features such as militarization, informality, and external dependence, they differ fundamentally in intent, structure, and long-term impact.

A war economy prioritizes military sustainability and survival under conflict conditions. Although it produces widespread suffering and inefficiency, it does not inherently seek the permanent elimination of a population. Economic systems may remain recoverable if conflict ends decisively and institutions are restored (Harrison, 1998).

In contrast, a genocide economy is organized around population destruction and erasure. Economic mechanisms are designed not merely to sustain war but to dismantle the social, demographic, and economic foundations of the targeted group. Recovery is structurally obstructed, and economic normalization becomes impossible without fundamental political transformation (Scheidel, 2017).

In short, war economies distort development, whereas genocide economies annihilate it. This book argues that the Palestinian economy—comprising both the West Bank and Gaza economies—is shifting toward what can be described as a genocide economy; that is, it is moving from a war economy to a genocide economy. The catalyst in this process is the Israeli occupation, which employs large-scale military force in Gaza and territorial expansion through settlement activity in the West Bank. These parallel strategies function as structural mechanisms that accelerate the transformation of the Palestinian economy from one shaped by conflict into one characterized by systematic destruction and erasure of its economic foundations.

11.4. Chapter Summary

This chapter distinguished analytically between war economies and genocide economies as two distinct political-economic formations. War economies emerge when prolonged conflict restructures incentives toward survival, rent-seeking, and external dependence, producing deindustrialization, informality, and institutional erosion. Genocide economies represent a more extreme configuration, in which economic systems actively facilitate population destruction through deprivation, dispossession, and demographic engineering.

Understanding this distinction is essential for post-conflict policy, reconstruction, and accountability. While war economies may permit recovery under certain conditions, genocide economies require not only reconstruction but structural justice, restitution, and political transformation to reverse the embedded logic of destruction.

CHAPTER 12

The Palestinian Economy: The Path towards a Genocide Economy

This chapter examines how Israel's two-track regime—genocidal destruction in Gaza and settler-colonial consolidation in the West Bank—has reconfigured Palestinian demography, space, and economic viability since the late 1980s. Drawing on the literature of settler colonialism (Wolfe, 2006) and recent historical analyses (Pappé, 2024), we situate Gaza's systematic annihilation of life-supporting systems—energy, water, health, housing, and markets—alongside the West Bank's steadily expanding settlement grid, resource capture, and market fragmentation. We document the economic mechanics of this dual strategy: control over aquifers and fertile land, mobility and zoning regimes that fragment Palestinian production, and the destruction or enclosure of value chains (World Bank, 2024; UNCTAD, 2023).

Empirically, the chapter traces the rapid growth of Israeli settler populations and infrastructure in the West Bank and Jerusalem—rising from roughly 60,000 settlers in 1986 to more than 500,000 by 2023—together with the parallel decline in Palestinian agricultural capacity and local industrialization (PCBS, 2025; ICBS, 2023). **Table *33*** and Figure 44 present these demographic shifts and their spatial-economic footprint, highlighting critical inflection points after the Oslo Accords and during the 2010s subsidy-fueled surge.

For Gaza, we synthesize evidence on the blockade's long-run economic impacts and the 2023–2025 escalation's catastrophic effects on output, employment, health systems, and basic services. We link sectoral collapse and infrastructure targeting to outcomes now documented by international agencies—mass casualties, famine conditions, and hospital system breakdown—

illustrating the convergence toward what this book characterizes as a genocide economy (WHO, 2025; World Bank, 2024; IPC, 2025). The chapter thus provides the historical, legal, and economic context necessary to understand how elimination-by-destruction in Gaza and elimination-by-replacement in the West Bank serve a single structural objective: the removal or enclosure of the indigenous Palestinian population and the erasure of its economic future.

12.1. The West Bank and Israeli Settler Population

Israel's policies in the occupied Palestinian territories have evolved along two interrelated but distinct trajectories: a genocidal strategy in Gaza, aimed at the destruction of life and livability, and a settler-colonial strategy in the West Bank, aimed at the systematic replacement of the indigenous Palestinian population with Israeli settlers. Both models serve the same structural purpose—territorial control, resource domination, and demographic engineering—but through different modalities of violence and governance (Pappé, 2024; Wolfe, 2006).

While Gaza has endured a physical and infrastructural annihilation since 2007, the West Bank has experienced a gradual colonization process designed to establish permanent Israeli presence through settlement expansion, land expropriation, and economic dependency. This section examines how Israeli settlements, economic zoning, and demographic policies have restructured the West Bank's economy and population distribution from 1986 to 2023, replacing indigenous Palestinians with an expanding settler population.

Settler colonialism differs fundamentally from classical colonialism. In classical colonialism, as in British India, the colonizers extract resources while ruling indirectly through a local elite, without seeking demographic replacement. In contrast, settler colonialism seeks to eliminate and replace the native population through land seizure, cultural erasure, and the establishment of a new social order that normalizes settler dominance (Wolfe, 2006).

Patrick Wolfe famously described this as "the logic of elimination"—a structural process rather than a historical event. In Israel's case, this logic manifests through settlement construction, restricted mobility, resource monopolization, and economic subjugation of Palestinians (Pappé, 2024, p. 26–27). The outcome is a dual economy: a subsidized, infrastructure-rich settler economy embedded within a systematically underdeveloped Palestinian economy.

Israeli settlements are strategically placed atop key water aquifers and fertile agricultural zones, ensuring settlers exclusive access to critical natural resources. According to PCBS (2025) and B'Tselem (2023), over 80 percent of the Mountain Aquifer—the West Bank's principal freshwater source—is

controlled by Israel. This water dominance suppresses Palestinian agricultural productivity, reducing irrigated land by more than 60 percent since 1995.

Moreover, settlements located along bypass roads—connecting directly to Israeli ports and industrial zones—redirect trade flows and labor mobility away from Palestinian enterprises. This isolation fragments Palestinian markets into non-contiguous enclaves, making economic self-sufficiency nearly impossible (World Bank, 2024; UNCTAD, 2023).

As **Table 33** and Figure 44 illustrate, Israeli settler populations in the West Bank and Jerusalem have increased exponentially from approximately 60,000 in 1986 to over 500,000 by 2023, marking a more than 700 percent growth. The demographic shift reflects deliberate Israeli state planning through incentives such as subsidized housing, tax reductions, and dedicated infrastructure budgets for settlers (ICBS, 2023).

Table 33 Number of Settlers in the Israeli Settlements in the West Bank by Region Covering Period 1986-2023

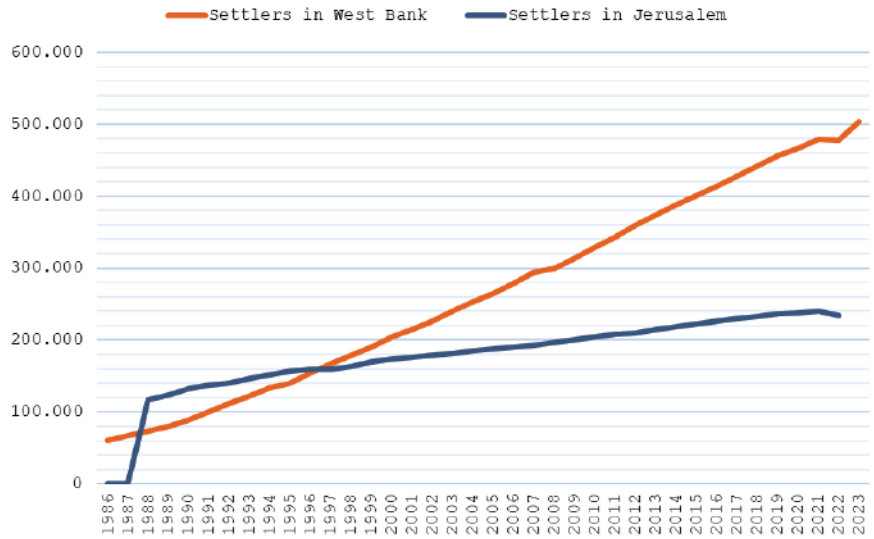
Year	Region		West Bank
	West Bank excluding Jerusalem (Area J1)	Jerusalem (Area J1)	
1986	60,766	..	..
1987	67,483	..	..
1988	73,403	117,550	190,953
1989	79,824	123,061	202,885
1990	88,888	132,460	221,348
1991	100,729	137,331	238,060
1992	111,673	140,872	252,545
1993	122,320	146,436	268,756
1994	133,572	152,219	285,791
1995	140,235	156,724	296,959
1996	153,974	159,684	313,658
1997	167,124	158,929	326,053
1998	179,087	162,842	341,929
1999	190,750	170,400	361,150
2000	205,113	173,986	379,099
2001	215,062	175,987	391,049
2002	226,712	178,437	405,149
2003	240,313	181,425	421,738
2004	252,737	184,944	437,681
2005	265,049	187,573	452,622
2006	279,479	190,534	470,013
2007	294,133	193,485	487,618
2008	298,961	197,071	496,032
2009	314,101	200,542	514,643

Year	Region		West Bank
	West Bank excluding Jerusalem (Area J1)	Jerusalem (Area J1)	
2010	328,774	204,248	533,022
2011	343,350	208,910	552,260
2012	359,571	210,156	569,727
2013	373,995	214,442	588,437
2014	387,949	218,902	606,851
2015	400,988	222,847	623,835
2016	414,127	226,315	640,442
2017	428,286	229,707	657,993
2018	442,393	233,093	675,695
2019	456,169	236,233	692,402
2020	465,906	237,968	703,874
2021	479,501	239,951	719,452
2022	478,600	233,600	712,200
2023	503,732		

Source: Palestinian Central Bureau of Statistics, PCBS. Israel Central Bureau of Statistics, Statistical Abstract of Israel. Jerusalem, Various Years, (2003 - 2022). The Jerusalem Institute for Israeli Studies 2022, Statistical Yearbook of Jerusalem 2021 (No 36). Jerusalem

Figure 44 shows the increase of the number of settlers in both the West Bank and Jerusalem over the period of 1986 to 2023.

Figure 41 Number of Israeli Settlers in West Bank and Jerusalem covering period 1999 to 2022



The figure reveals two critical inflection points:

1. Post-Oslo acceleration (1993–2000): Settlement expansion coincided with the creation of fragmented "Areas A, B, and C," which placed 60 percent of the West Bank under full Israeli control.
2. Post-2010 growth surge: Fueled by state subsidies and ideological migration, settlements expanded by 175 000 within a decade despite international condemnation.

By 2023, settlers comprised over 16 percent of the total West Bank population, outpacing natural Palestinian growth in several districts. Settler industrial zones—such as Barkan, Ma'ale Adumim, and Ariel—collectively produce over USD 1.2 billion annually in exports, while adjacent Palestinian towns face industrial restrictions and land confiscations (UNCTAD, 2023).

The Palestinian labor force in the West Bank increasingly depends on the Israeli economy. By 2023, over 180 000 Palestinians worked in Israel and settlements—comprising nearly 20 percent of total West Bank employment (PMA, 2025). While these jobs provide short-term income, they deepen structural dependency, as wages circulate back into the Israeli economy through taxation and consumption of Israeli imports.

Palestinian agriculture, once a key employment sector, has declined from 22 percent of GDP in 1994 to under 5 percent in 2023 (PCBS, 2025). Restricted access to land and water, combined with settler violence and mobility barriers, has driven thousands of farmers out of production, consolidating settler economic dominance.

Israel's dual approach—genocide in Gaza and settler colonialism in the West Bank—represents two faces of the same system: the elimination of the Palestinian presence. In Gaza, destruction is overt and immediate; in the West Bank, elimination is gradual and bureaucratic, achieved through zoning laws, permit regimes, and economic strangulation.

The physical geography of the West Bank today mirrors an archipelago of Palestinian enclaves, disconnected by walls, checkpoints, and settlements. These divisions inhibit trade, fragment labor markets, and prevent the emergence of a coherent Palestinian economy—conditions that the World Bank (2024) and ESCWA (2024) classify as "engineered economic de-development."

As Pappé (2024) argues, "the logic of elimination continues so long as coexistence with the indigenous population remains intolerable to the settler project." Israel has thus succeeded in adapting two mutually reinforcing strategies: direct extermination in Gaza and demographic-economic

replacement in the West Bank. Through this divide-and-rule framework, the indigenous Palestinian population has been systematically removed or confined to nonviable enclaves, severing both geographic continuity and economic self-determination.

Addressing this systemic imbalance requires not only halting settlement growth but also reversing economic fragmentation through territorial reintegration and equitable access to land, water, and mobility. Without such transformation, the West Bank risks becoming an economic mirror image of Gaza's collapse—a society trapped in dependency, disempowerment, and displacement.

12.2. October 7, 2023

The blockade of Gaza was first imposed following Hamas's takeover in 2007, with Israel—backed by the United States and the European Union—enforcing a comprehensive land, air, and sea closure. Egypt, under both the Mubarak and Sisi regimes, also restricted access through the Rafah border crossing. While Israel justified the blockade as a necessary security measure to prevent arms smuggling and potential attacks, international organizations, including the UN Conference on Trade and Development (UNCTAD, 2020), have widely condemned the policy as a form of collective punishment.

The economic consequences of this blockade have been devastating. According to UNCTAD (2020), the siege, compounded by repeated military operations, reduced Gaza's GDP by more than 50% and pushed unemployment rates to some of the highest levels globally, exceeding 60% among youth. More than 80% of Gaza's population has been forced to rely on international humanitarian aid for basic survival (World Bank, 2022). The private sector, once modestly capable of generating employment, collapsed under the combined pressures of trade restrictions, fuel shortages, and the systematic destruction of infrastructure.

A central component of the blockade has been the "dual-use" classification system, which restricts the import of goods—including essential construction materials, fuel, medical equipment, and even food items—on the grounds that they could potentially be used for military purposes (Gisha, 2018). This policy has not only crippled Gaza's ability to rebuild but has also severely limited opportunities for trade, effectively severing the territory from both regional and global markets. As a result, Gaza has been locked into what can only be described as an economic dead zone.

Despite these overwhelming challenges, Hamas has managed to maintain a level of governance in Gaza, characterized by both resilience and authoritarian

tendencies. With international donor funds largely cut off, the group relied on taxation, local revenues, tunnel trade (particularly between 2007 and 2013), and financial aid from allies such as Iran and Qatar (Milton-Edwards, 2018). Over time, Hamas established parallel governmental institutions to those of the Palestinian Authority (PA), managing ministries, border crossings, education, and healthcare. However, its governance capacity has been undermined by the blockade, recurring military assaults, and a lack of international legitimacy. Supporters credit Hamas with ensuring internal order and basic public services under extreme conditions, while critics highlight human rights abuses and restrictions on dissent within Gaza (Roy, 2016).

Since 2008, Gaza has endured repeated large-scale Israeli military operations. Among the most notable are Operation Cast Lead (2008–2009), Operation Pillar of Defense (2012), Operation Protective Edge (2014), and Operation Guardian of the Walls (2021). These offensives resulted in thousands of Palestinian deaths—primarily civilians—and widespread destruction of homes, schools, hospitals, and essential infrastructure (B'Tselem, 2021). The 2014 war alone killed over 2,200 Palestinians and inflicted more than $4 billion in damages. Reconstruction has been slow, hindered by restrictions on building materials and international donor fatigue (UNCTAD, 2020). Each cycle of violence has pushed Gaza's fragile economy into deeper recession, erasing years of growth and worsening poverty and unemployment.

The October 7, 2023, Hamas-led attack on Israel marked a dramatic escalation of the conflict. In response, Israel launched a sustained and unprecedented military campaign in Gaza. Over several months, bombardments targeted refugee camps, hospitals, schools, and civilian infrastructure. By early 2024, more than 30,000 Palestinians had been killed, including a disproportionate number of women and children (Al Mezan Center for Human Rights, 2024). Human rights organizations such as Amnesty International and Human Rights Watch have described Israel's actions as potential war crimes and even genocide.

The scale of destruction has left Gaza virtually uninhabitable. Its power grid, water supply, hospitals, and most public infrastructure have been destroyed. Entire economic sectors—including agriculture, fisheries, manufacturing, and services—have been decimated. By April 2025, the State of Palestine Ministry of Health reported over 50,523 Palestinian deaths and more than 114,638 injuries. The devastation has rendered Gaza's economy obliterated, with its population deprived of basic survival needs.

International reactions have been divided. Some Western states emphasized Israel's right to self-defense, while others called for immediate ceasefires and independent investigations. However, the events of 2023–2024 have only

deepened Gaza's isolation from the global economy and eliminated near-term prospects for economic liberalization.

Internal Palestinian divisions remain a critical barrier to recovery. The political rift between Hamas and Fatah has repeatedly undermined efforts to build a unified national leadership. Multiple reconciliation attempts—brokered by Egypt, Turkey, and Qatar—have failed (Shikaki, 2021). This disunity has allowed Israel to maintain its policy of isolating Gaza, weakening Palestinian statehood claims and suppressing economic development.

Although proposals for economic liberalization—such as industrial zones, international investment projects, and cross-border trade corridors—have been discussed, none have succeeded. Without sovereignty, border control, or freedom of movement, Gaza's economy remains structurally imprisoned. Any genuine path toward liberalization requires lifting the blockade, ending the occupation, and restoring Palestinian political unity.

The struggle for control of natural resources underscores the colonial dimension of the conflict. Historically, colonial powers have sought to dominate resource-rich territories to secure economic and political power (Scott, 1983; Routledge Handbook of Critical Resource Geography, 2021). The Israeli occupation of Palestine reflects this pattern, driven not only by religious and political motives but also by economic interests. In particular, the discovery of natural gas reserves off Gaza's coast has intensified Israel's determination to maintain dominance over the enclave (ElBassoussy, 2018). As Crook (2018) argues, extreme violence, including displacement and genocide, mirrors strategies used by colonial powers to secure control over resources.

In this context, Hamas's October 7 attack can be seen as a desperate reaction to years of siege, systemic oppression, and forced impoverishment. While the group sought to break the status quo and resist what it perceived as a racist occupying power, Israel's retaliatory campaign inflicted unprecedented destruction, leaving Gaza virtually uninhabitable.

These developments highlight the urgent necessity of establishing an independent Palestinian state. The current Oslo framework, which grants only limited autonomy, has proven insufficient. True sovereignty requires full control over land, people, and natural resources. Without this, Palestinians will continue to live under occupation, stripped of dignity, security, and economic potential.

12.3. The Loss of Production from the Gaza Genocide

In this section we will use the Constant Elasticity of Substitution (CES) model in order to calculate the loss of production from the Gaza genocide on both the Gaza economy and the Palestinian economy as a whole. We will start by introducing the variables and then getting familiar with the model.

To quantify the production loss, we use a CES production function for Palestine:

$Y=A[\delta K^{\rho}+(1-\delta)L^{\rho}]^{1/\rho}$

Definitions (as used throughout this section):

- Y: Output (GDP).
- A: Total Factor Productivity (TFP).
- K: Capital stock.
- L: Labor input.
- δ: Distribution (share) parameter for capital.
- ρ: Substitution parameter (linked to elasticity of substitution $\sigma=1/(1-\rho)$).

The CES form nests the Cobb-Douglas production function as a special case and allows capital–labor substitution to differ from the unitary case. Higher A indicates greater efficiency in combining K and L.

In the case of Palestine, the CES production model must be adjusted to reflect the unique structural characteristics of the Palestinian economy. Palestine is a small, open economy that is highly dependent on foreign trade, external aid, and regional political conditions. Moreover, the Middle East is characterized by persistent geopolitical instability and recurrent conflicts that generate exogenous shocks affecting economic performance throughout the region. For example, major regional escalations—such as the U.S.–Israel military confrontation with Iran in March 2026—can produce negative economic spillovers that influence investment, trade flows, and macroeconomic stability across neighboring economies, including Palestine. To incorporate such external disturbances into the model, we introduce an exogenous shock variable w. The adjusted CES production function is therefore specified as:

$$Y = A\left[\delta K^{\rho} + (1-\delta) L^{\rho}\right]^{1/\rho} + \frac{w^3}{4}$$

where w represents an external shock affecting economic output, and $w \in \mathbb{R} = (-\infty, +\infty)$. , allowing the shock to take both positive and negative values depending on whether the external event stimulates or disrupts economic activity. The term $\frac{w^3}{4}$. captures the magnitude of the shock in a nonlinear form, allowing larger shocks to have a disproportionately greater effect on output. For the purpose of estimating the direct impact of labor and capital depletion on Palestinian GDP—particularly those resulting from the Gaza genocide—we assume that $w = 0$. This assumption isolates the internal production structure of the economy and allows the model to measure the effects of changes in capital and labor alone, while holding all external regional shocks constant.

First we provide the estimation strategy for Palestine as a whole:

Step 1 — Gather Data (Palestine):

- GDP (Y): Nominal GDP ≈ $17.42 billion in 2023 (World Bank, 2023).
- Capital Stock (K): West Bank investment reached nearly $5 billion in 2022, roughly doubling capital stock since 2007 (IMF, 2023).
- Labor Input (L): West Bank employed persons ≈ 868,000 in Q3-2023 (PCBS, 2023).

Step 2 — Choose Calibrations/Assumptions (when local estimates are unavailable):

- Distribution parameter (δ): commonly set to 0.3 (≈ 30% capital share).
- Substitution parameter (ρ): assumed 0.5 (implying a unitary elasticity of substitution under the stated assumption in the original text).

These are standard "first-pass" calibrations used when economy-specific estimates are not available.

Step 3 — Back Out TFP (A) from Observables:

Rearrange the CES function to solve for A:

$A=[\delta K\rho+(1-\delta)L\rho]\rho 1Y$

Using the provided magnitudes (with $Y=17.42\times109$; $K\approx5\times109$; $L\approx868,000$; $\delta=0.3$; $\rho=0.5$):

- $(5\times109)0.5\approx70,710$
- $(868,000)0.5\approx931$

- $0.3 \times 70{,}710 + 0.7 \times 931 \approx 21{,}213 + 651 = 21{,}864$
- $[21{,}864]2 \approx 478{,}000{,}000$

Hence:

$A \approx 478{,}000{,}00017.42 \times 109 \approx 36.4$

Conclusion (Palestine-wide calibration):

- • TFP $A \approx 36.4$
- Distribution parameter $\delta = 0.3$
- Substitution parameter $\rho = 0.5$

These values provide a baseline for the Palestinian economy. More granular estimates—especially for Gaza—require region-specific K and L.

To reflect Gaza's sharply constrained production environment, we apply the same CES structure with Gaza-specific inputs and an exogenously provided TFP estimate:

- Given (from the original text):
  - TFP $A = 1.71$ (Gaza Ministry of Economy, 2023).
  - $\delta = 0.3$, $\rho = 0.5$ (as above).
  - Capital proxy $K = 75.6$ (average gross capital formation, millions USD).
  - Labor proxy $L = 38.2$ (average labor force participation rate in percent).

CES model restated:

$Y = A[\delta K\rho + (1-\delta)L\rho]\rho 1$

Using the above inputs, the computed output for Gaza in 2023 is approximately \$80.13 million, which the original text notes is consistent with the reported post-genocide GDP for Gaza under extreme constraints.

Even after accounting for the collapse in both effective capital and labor, Gaza still produces a small positive output. However, the very low TFP ($A = 1.71$) and depressed inputs imply production is a tiny fraction of pre-war levels—consistent with a besieged, repeatedly bombarded economy with devastated infrastructure, energy shortages, restricted market access, and mass displacement.

Contextualizing the Parameters and Proxies

- On K and L proxies (Gaza): The use of gross capital formation (USD, millions) and labor force participation (%) as empirical proxies reflects data scarcity during war. In normal times, K would be a capital stock measure (e.g., perpetual inventory model), and L a labor services index (employment × hours × skills). Given siege and destruction, these proxies capture broad movements in resource availability and utilization.
- the low Gaza TFP (A=1.71): This calibrates the systemic efficiency loss under blockade and bombardment—electricity shortages, equipment destruction, supply-chain breakdow, health and education system collapse, and the near-elimination of intermediate inputs all depress TFP.
- Why CES (not Cobb–Douglas): CES allows elasticity of substitution to differ from 1, reflecting the reality that capital and labor in Gaza are not easily substitutable when imports are blocked (machinery/parts), skilled labor is displaced, and vital infrastructure is destroyed.

Thus, the interpretation and economic reading are:

- Efficiency vs. Inputs. The Palestine-wide calibration ($A \approx 36.4$) contrasts starkly with Gaza's $A=1.71$—a powerful indicator that efficiency has collapsed in Gaza, beyond what input losses alone would imply.
- Bottlenecks Dominate. With electricity, fuel, health services, and logistics severely impaired, production bottlenecks are systemic; even available capital and labor cannot be productively matched.
- Policy Implication. Any meaningful recovery requires restoring core systems (power, water, hospitals, ports/borders) and lifting movement/trade constraints so that A can recover alongside K and L.

For completeness—and to preserve all original content—the core steps are restated concisely:

- Step 1 — Gather Data (Palestine): GDP (Y) ≈ $17.42 b (World Bank, 2023); Capital stock (K): West Bank investment ≈ $5 b in 2022, roughly doubling the stock since 2007 (IMF, 2023); Labor (L): ≈ 868,000 employed in Q3-2023 (PCBS, 2023).
- Step 2 — Parameters: $\delta=0.3$ (capital share), $\rho=0.5$ (assumed substitution parameter; original text associates this with unit elasticity).

- Step 3 — Compute TFP: Use $A=[\delta K\rho+(1-\delta)L\rho]1/\rho Y$ to obtain $A\approx36.4$ for Palestine (2023 baseline).
- Gaza CES (given values): $A=1.71$; $\delta=0.3$; $\rho=0.5$; $K=75.6$ (USD mn, avg. GCF); $L=38.2$ (% labor force participation). Implied Y (2023) ≈ $80.13 mn, consistent with the reported post-genocide contraction.

Table 34 shows GDP and GNI for Palestine, West Bank and Gaza Strip from the year 1994 to 2024.

Table 34 GDP and GNI for Palestine, West Bank and Gaza Strip for the period 1994-2024

Year	Palestine*		West Bank*		Gaza Strip	
	Gross Domestic Product (GDP)	Gross National Income (GNI)	Gross Domestic Product (GDP)	Gross National Income (GNI)	Gross Domestic Product (GDP)	Gross National Income (GNI)
1994	5,057.7	5,921.2	3,199.8	3,802.8	1,900.5	2,170.5
1995	5,417.7	6,402.9	3,486.5	4,169.4	1,972.7	2,286.0
1996	5,483.5	6,417.8	3,539.3	4,212.6	1,985.5	2,255.9
1997	6,287.8	7,409.8	4,088.3	4,910.0	2,244.8	2,555.9
1998	7,189.1	8,687.2	4,702.8	5,770.4	2,536.0	2,982.1
1999	7,784.4	9,392.1	5,284.6	6,385.2	2,540.2	3,065.7
2000	7,118.4	8,149.4	4,958.3	5,657.6	2,188.1	2,531.9
2001	6,455.6	7,188.4	4,365.9	4,923.9	2,124.3	2,305.4
2002	5,649.4	6,188.0	3,724.9	4,079.5	1,961.5	2,152.2
2003	6,441.2	6,982.7	4,090.7	4,453.0	2,403.6	2,589.4
2004	7,853.4	8,366.3	5,128.9	5,476.6	2,724.5	2,889.7
2005	8,740.1	9,423.5	5,468.5	5,990.6	3,271.6	3,432.9
2006	8,653.0	9,457.6	5,962.1	6,603.2	2,690.9	2,854.4
2007	8,980.8	9,919.0	6,587.6	7,342.3	2,393.2	2,576.7
2008	9,648.0	10,797.1	7,451.3	8,393.1	2,196.7	2,404.0
2009	10,477.1	11,499.1	8,126.3	8,921.4	2,350.8	2,577.7
2010	11,082.4	11,867.0	8,496.1	9,183.5	2,586.3	2,683.5
2011	12,146.4	13,054.0	9,305.9	10,085.0	2,840.5	2,969.0
2012	12,886.9	13,905.1	9,810.2	10,718.3	3,076.7	3,186.8
2013	13,492.4	14,755.3	10,171.9	11,325.2	3,320.5	3,430.1
2014	13,471.1	14,916.3	10,610.4	12,033.8	2,860.7	2,882.5
2015	13,972.4	15,684.8	11,072.3	12,769.0	2,900.1	2,915.8
2016	15,211.0	16,904.7	12,046.1	13,733.5	3,164.9	3,171.2

Year	Palestine*		West Bank*		Gaza Strip	
	Gross Domestic Product (GDP)	Gross National Income (GNI)	Gross Domestic Product (GDP)	Gross National Income (GNI)	Gross Domestic Product (GDP)	Gross National Income (GNI)
2017	15,426.9	17,331.3	12,505.5	14,376.6	2,921.4	2,954.7
2018	15,616.2	18,121.5	12,797.3	15,257.8	2,818.9	2,863.7
2019	15,829.0	18,415.6	12,998.8	15,566.6	2,830.2	2,849.0
2020	14,037.4	16,032.7	11,564.1	13,535.6	2,473.3	2,497.1
2021	15,021.7	17,713.1	12,443.6	15,084.6	2,578.1	2,628.5
2022	15,635.0	18,861.0	12,921.7	16,035.5	2,713.3	2,825.5
2023	14,922.7	17,628.1	12,768.0	15,333.4	2,154.7	2,294.7
2024(f)	10,744.3	11,464.3	10,357.3	11,077.3	387.0	387.0

** The data excludes those parts of Jerusalem which were annexed by Israel occupation in 1967.*

12.4. The Effects of the Gaza Genocide on the Palestinian Economy

The events since October 2023 have devastated the Palestinian economy, particularly in Gaza. The destruction of physical infrastructure, combined with ongoing blockade policies, has reduced production capacity to unprecedented lows and shattered prospects for sustainable growth.

The World Bank Group (2024) reported that by May 2024, approximately 66% of private sector establishments in Gaza were destroyed, while an additional 22% were partially damaged. The industrial sector suffered some of the worst losses, with 65% of facilities completely destroyed and 21% partially damaged.

The Palestinian Federation of Industries (2024) further documented that Gaza's industrial base—once consisting of 5,480 establishments employing 25,000 workers—was reduced to only 548 operational facilities, employing just 2,028 workers. This represents a 90% contraction in industrial capacity, with the sector's value-added output collapsing by 92%, from USD 336 million before the war to just USD 33 million in 2024.

Direct losses for industrial facilities, including buildings, equipment, raw materials, and manufactured goods, were estimated at USD 5 billion, with nearly 78% of damages concentrated in Gaza City and North Gaza.

The broader economy reflects the same devastating pattern. The World Bank (2024) estimated that Palestine's GDP contracted by 86% year-over-year in the first half of 2024, as nearly all sectors in Gaza came to a halt. The industrial sector alone declined by 94.7% compared to 2023.

The PCBS (2024) projected that Gaza's GDP in 2024 would amount to only USD 387 million, representing a near-total collapse compared to the pre-war baseline of over USD 2.1 billion in 2023. This illustrates how the genocide has reversed decades of economic activity, pushing Gaza into an economic depression far beyond conventional wartime recessions.

Long-term statistical data from the PCBS (2024) show the trajectory of GDP and GNI for Palestine, the West Bank, and the Gaza Strip.

- Before October 2023: Gaza contributed around USD 2–3 billion annually to Palestinian GDP, despite blockade restrictions.
- After the 2023 genocide: Gaza's GDP shrank to USD 387 million, essentially erasing three decades of incremental growth.

The historical table (1994–2024) illustrates that Gaza's share of total Palestinian production has been volatile but consistently significant. The genocide has almost completely eliminated Gaza's role in the national economy, creating a disproportionate dependency on the West Bank and international aid.

The collapse of Gaza's economy has had cascading effects:

- Employment: Unemployment in Gaza now exceeds 60%, with youth unemployment reaching similar levels (PCBS, 2024).
- Social fabric: With the destruction of healthcare facilities, schools, and housing, Gaza's human capital is eroding as access to education and health services diminishes.
- Investment climate: Repeated destruction and restrictions on imports, particularly of building materials, have deterred both domestic and international investors, producing donor fatigue and prolonging reconstruction.

The genocide in Gaza has turned the enclave into an economic wasteland. Entire industries have been wiped out, GDP has collapsed by more than 80%, unemployment has reached record highs, and infrastructure necessary for economic revival has been destroyed. These conditions do not represent temporary wartime damage but rather a systematic dismantling of Gaza's economy that will likely take decades to reverse, if at all, under current political conditions.

12.5. The Gaza Genocide and Sustainable Development Goals

The destruction in Gaza not only devastates local livelihoods but also directly undermines the UN Sustainable Development Goals (SDGs). Since October 7, 2023 till October 8, 2025, approximately 63,746 killed and 161,245 injured according to the Palestinian Ministry of Health as reported by WHO organization.

Below, we map the economic and social impacts to specific SDGs.

- Destruction of Infrastructure and Private Sector Collapse (SDG 8)
    - Fact: 66% of Gaza's private sector and 65% of industrial facilities have been destroyed (World Bank, 2024).
    - Impact: Industrial value-added shrank by 92%. Employment fell from 25,000 to 2,028 workers.
    - SDG Link: Violates SDG 8 (Decent Work and Economic Growth) by dismantling productive capacity and job creation.
- Massive Economic Contraction (SDGs 1 and 10)
    - Fact: Gaza's GDP declined by 94.7% in 2024, with overall Palestinian GDP contracting by 86%. Direct industrial losses exceeded USD 5 billion.
    - Impact: Poverty levels surged, and inequality between Gaza and the West Bank widened.
    - SDG Links:
        - SDG 1 (No Poverty): Poverty reduction efforts reversed.
        - SDG 10 (Reduced Inequalities): Economic disparity between Gaza and the West Bank deepened.
- High Unemployment and Loss of Livelihoods (SDGs 4 and 8)
    - Fact: Gaza's unemployment now exceeds 60% (PCBS, 2024).
    - Impact: Youth are unable to translate education into employment opportunities.
    - SDG Links:
        - SDG 4 (Quality Education): Education loses relevance in the absence of jobs.
        - SDG 8 (Decent Work and Economic Growth): Full employment targets become unattainable.

- Collapse of Agriculture and Industry (SDGs 2 and 6)
  - Fact: Agricultural land and infrastructure have been destroyed; Gaza's only aquifer is contaminated, with just 40% of water purification plants functional.
  - Impact: Food insecurity escalates, and water shortages worsen public health crises.
  - SDG Links:
    - SDG 2 (Zero Hunger): Food production and supply are crippled.
    - SDG 6 (Clean Water and Sanitation): Safe water access is undermined.
- Loss of Human Capital and Health Services (SDGs 3 and 4)
  - Fact: Hospitals and schools have been repeatedly bombed; 40% of surgeries are delayed due to lack of resources (PCBS, 2024).
  - Impact: Gaza's population suffers deteriorating health outcomes and reduced educational attainment.
  - SDG Links:
    - SDG 3 (Good Health and Well-Being): Health services collapse.
    - SDG 4 (Quality Education): Learning opportunities vanish as schools are destroyed.
- Dependence on External Aid (SDG 17)
  - Fact: Over 80% of Gaza's population now depends on humanitarian assistance (UN OCHA, 2024).
  - Impact: Short-term aid meets basic needs but prevents sustainable development.
  - SDG Link: SDG 17 (Partnerships for the Goals): Gaza's over-dependence undermines resilience and self-sufficiency.

The genocide in Gaza has derailed nearly all progress toward the SDGs. It has increased poverty, destroyed industry, widened inequality, reduced food and water security, and devastated health and education systems. Unless the blockade is lifted, sovereignty restored, and reconstruction undertaken at scale, Gaza's population will remain trapped in a cycle of dependency, unable to advance toward sustainable development.

12.6. The Palestinian Economy Convergence to a Genocide Economy

The international humanitarian system in Gaza demonstrates structural fragility rather than accidental failure. The International Court of Justice (ICJ) issued *provisional measures* on January 26, 2024, ordering Israel to prevent acts covered by the *Genocide Convention* and to enable humanitarian assistance, followed by an *additional order* in March 2024 (International Court of Justice, 2024a, 2024b). Yet, the enforcement of these legal orders was limited, exposing a profound gap between international legal obligations and operational implementation on the ground.

Despite repeated early warnings, famine emerged as predictable rather than accidental. The Integrated Food Security Phase Classification (IPC) confirmed *Famine (Phase 5)* in Gaza Governorate on August 15, 2025, after over a year of alerts (IPC, 2025a; IPC Famine Review Committee, 2025). Early warning systems did not translate into effective access corridors or scaled humanitarian response, reflecting the absence of automatic enforcement mechanisms tied to food-security thresholds.

The World Health Organization (WHO) reported hundreds of attacks on hospitals, ambulances, and medical personnel, which repeatedly forced service suspension (World Health Organization, 2025). These conditions—fuel shortages, lack of electricity, and blocked aid routes—produced excess mortality from trauma, infection, and malnutrition.

Economically, the World Bank (2024, 2025) documented a contraction of approximately 86% in Gaza's GDP during early 2024, an economic collapse that magnified the indirect health consequences of conflict through loss of income, infrastructure, and sanitation systems.

The global health architecture—comprising legal mechanisms, humanitarian coordination, and donor diplomacy—thus lacks *enforceable triggers* when belligerents obstruct aid or target care. A reformed framework would link ICJ rulings with operational obligations such as *automatic activation* of humanitarian corridors and fuel exemptions once IPC levels reach Phase 4 (International Court of Justice, 2024a; IPC, 2025a; WHO, 2025).

Starvation as warfare. Peer-reviewed analyses in *BMJ* explicitly describe Israel's blockade tactics as the use of starvation as a weapon of war, an act prohibited under international humanitarian law (Sah & Dawas, 2024). The IPC's famine confirmation provides empirical validation that food deprivation has reached epidemiologic thresholds consistent with mass atrocity (IPC, 2025a).

Collapse of the health system. The WHO's situation reports align with *The Lancet*'s analyses that identify the systematic degradation of Gaza's medical infrastructure as a deliberate tactic of war (Khatib et al., 2024; World Health Organization, 2025). This collapse has amplified infectious-disease spread, obstetric emergencies, and vaccine-preventable outbreaks.

Restriction of humanitarian access. The UN Office for the Coordination of Humanitarian Affairs (OCHA) documented repeated closures of aid crossings—most notably the Zikim crossing in September 2025—which halted food and medical deliveries to northern Gaza (OCHA/ReliefWeb, 2025). These restrictions intensified famine and disease transmission through interrupted WASH services.

Comparative evidence. Studies from Yemen show that siege and blockade conditions, combined with air raids, were directly associated with cholera and excess mortality (Elnakib et al., 2021; Tarnas et al., 2023). The parallels demonstrate that Gaza's WASH collapse and population crowding have predictable epidemiologic consequences.

In total, restricting food, fuel, medicine, and mobility—while degrading health infrastructure—constitutes the weaponization of disease and famine (WHO, 2025; Sah & Dawas, 2024; The Lancet Editorials, 2025). The resulting mortality is not incidental but a foreseeable outcome of structural targeting.

To prevent the repetition of Gaza's collapse, automatic operational triggers must be codified. When *IPC* ≥ *Phase 4* or WHO verifies sustained attacks on care, predetermined responses—such as protected land/sea corridors, hospital fuel guarantees, and medical evacuation pipelines—should activate automatically (IPC, 2025a; WHO, 2025).

Furthermore, ICJ provisional measures should be linked to *enforcement coalitions* capable of physically opening crossings and ensuring compliance through public monitoring (International Court of Justice, 2024b; OCHA, n.d.).

Ethically, leading medical journals have urged the global health community to reject "neutrality as muteness" and to name violations explicitly when starvation and health-system destruction are used as war tactics (Khatib et al., 2024; The Lancet Editorials, 2025; Sah & Dawas, 2024).

Finally, macro-economic early warning systems—such as those of the World Bank—should be treated as triggers for emergency health responses. Economic collapse indicators like trade shutdowns, fuel scarcity, and labor disruption are leading signals of health catastrophe (World Bank, 2024, 2025).

The Gaza Strip's economic trajectory demonstrates structural features of what may be termed a genocide economy—an economy systematically dismantled through violence, blockade, and deprivation.

1. Destruction of productive capacity: With an 86% contraction in 2024 GDP, industrial and service sectors have been annihilated, converting Gaza into an aid-dependent enclave devoid of functioning markets (World Bank, 2024).
2. Labor scarring and human capital erosion: Attacks on hospitals and famine-induced morbidity shrink the productive labor pool and permanently reduce human capital accumulation (WHO, 2025; IPC, 2025a).
3. Institutional fragmentation: Recurrent closures, fuel embargoes, and movement restrictions obstruct supply chains and financial flows, transforming economic governance into humanitarian administration (OCHA/ReliefWeb, 2025).
4. Intergenerational loss: Prolonged malnutrition and educational disruption will depress lifetime productivity and TFP for decades—hallmarks of long-run developmental regression (Sah & Dawas, 2024; World Bank, 2025).

Collectively, these mechanisms indicate that the Palestinian economy is not merely collapsing; it is structurally coerced toward genocide equilibrium, where economic destruction, demographic attrition, and humanitarian paralysis mutually reinforce one another. Recovery will require binding international enforcement of humanitarian access, restoration of production and health infrastructure, and protection of civilian systems as economic assets essential to life.

case does not merely illustrate humanitarian failure but the convergence of an international system toward a stable pathological equilibrium. In mathematical terms, each humanitarian crisis can be conceptualized as an iteration $x_{t+1} = f\left(x_t\right).$, where $f\left(\cdot\right)$. represents the global system's response function. Rather than diverging toward reform, the sequence of legal signals, diplomatic statements, and limited interventions converges to a fixed point—a condition of chronic under-enforcement and humanitarian paralysis (see analogous framing in Naimzada & Pireddu, 2014; Tesfatsion, 2017).

The ICJ issued provisional measures on January 26 and March 28, 2024, ordering Israel to prevent genocidal acts and to facilitate humanitarian assistance (International Court of Justice, 2024a, 2024b). However, the absence of enforcement mechanisms caused the sequence of legal obligations

(L_t) and actual humanitarian actions (H_t .) to diverge only briefly before converging again to the systemic mean: noncompliance. The convergence $\lim_{t\to\infty} | L_t - H_t | = c > 0$. captures a persistent enforcement gap, not random error.

Similarly, the Integrated Food Security Phase Classification (IPC) confirmed Famine (Phase 5) in Gaza Governorate on August 15, 2025, after over a year of formal alerts (IPC, 2025a; IPC Famine Review Committee, 2025). This progression demonstrates predictable sequence behavior: $F_{t+1} = F_t + \ddot{A}f_t$, where $\ddot{A}f_t > 0$ represents unaddressed deterioration. The sequence approaches a critical threshold—famine—reflecting the absence of corrective feedback loops in global health governance.

WHO (2025) reported hundreds of attacks on hospitals and ambulances, collapsing medical infrastructure and generating excess mortality through trauma, infection, and malnutrition. Meanwhile, the World Bank (2024, 2025) recorded an 86% contraction in Gaza's GDP in early 2024, indicating an economic trajectory converging toward zero productive capacity—a limit state in which humanitarian aid replaces endogenous production.

Thus, what appears as "failure" is mathematically equivalent to a systemic convergence toward equilibrium under weak constraints. Reforming this system requires redefining the mapping function $f(x_t)$ by inserting binding thresholds: e.g., automatic activation of humanitarian corridors when IPC ≥ Phase 4 or when ICJ orders are issued (International Court of Justice, 2024a; IPC, 2025a). Without changing the recursive function, the system will continue to converge toward the same humanitarian deficit.

The weaponization of starvation and disease in Gaza demonstrates a directed convergence of multiple subsystems—food, health, and logistics—toward lethal equilibrium. Peer-reviewed analyses in *BMJ* describe Israel's blockade as the "use of starvation as a weapon of war" (Sah & Dawas, 2024), while *The Lancet* documents the deliberate destruction of Gaza's health system (Khatib et al., 2024). If we let S_t . denote supply, A_t access, and M_t medical capacity, then

$$\frac{dS_t}{dt} < 0, \frac{dA_t}{dt} < 0, \frac{dM_t}{dt} < 0 .$$

produces a monotonic decrease sequence converging to $\lim_{t\to\infty} (S_t, A_t, M_t) = (0,0,0)$. —a total systems collapse.

Comparative studies from Yemen show similar convergence under siege conditions, where blockade-induced WASH collapse and air raids generated cholera outbreaks and excess mortality (Elnakib et al., 2021; Tarnas et al., 2023). These parallel trajectories confirm that the limit function of siege economics tends toward disease amplification rather than stabilization.

Preventing recurrence requires modifying the recursive relation defining global humanitarian response. If the current sequence $x_{t+1} = f(x_t)$. converges to a pathologically weak equilibrium x^*, effective reform must introduce a discontinuous intervention (a shock term $\dot{o}_t$) large enough to shift the attractor basin. In operational terms, this means enforcing automatic triggers when humanitarian indicators cross thresholds (IPC ≥ 4, sustained hospital attacks, GDP contraction beyond 70%) (WHO, 2025; World Bank, 2025).

Ethically, global health institutions must redefine neutrality not as silence but as a vector field correction, redirecting trajectories away from the genocide attractor (Khatib et al., 2024; *The Lancet* Editorials, 2025). ICJ measures should be coupled with enforcement coalitions capable of physically reopening crossings, thereby changing the derivative sign $\frac{dx_t}{dt} > 0$ for humanitarian access (International Court of Justice, 2024b; OCHA, 2025).

The Gaza economy exemplifies sequence convergence to a genocide equilibrium, where economic, demographic, and humanitarian variables collapse toward a common destructive limit.

1. Productive capacity destruction: The 86% GDP contraction represents a near-zero asymptote, $\lim_{t\to\infty} Y_t = 0$. , where Y_t is output (World Bank, 2024).
2. Labor scarring: Health-system collapse reduces labor productivity L_t , producing $\frac{dL_t}{dt} < 0$ and long-term divergence from sustainable growth (WHO, 2025; IPC, 2025a).
3. Institutional fragmentation: Supply-chain disruptions create a discontinuous sequence G_t , with governance oscillating between paralysis and emergency (OCHA, 2025).
4. Intergenerational loss: Malnutrition and educational deprivation cause TFP_t . to decline irreversibly ($\lim_{t\to\infty} TFP_t = TFP_{min}$) (World Bank, 2025; Sah & Dawas, 2024).

The genocide economy is thus a fixed point of destruction—a mathematically stable equilibrium maintained by recurring blockades and enforced scarcity. Recovery requires an exogenous shift in the system function $f(\cdot)$ through external enforcement, infrastructural restoration, and protection of civilian

systems as life-sustaining economic assets (Buheji, 2025; United Nations, 2025).

12.7. Chapter Summary

Chapter 12 demonstrates that Gaza's devastation and the West Bank's settlement expansion are not discrete anomalies but integrated pillars of a single political-economic project. In the West Bank, settler-colonial logics—expropriation of land and water, subsidized settlement growth, and bypass infrastructure—produce a dual economy in which Israeli settler industry scales while Palestinian production is fragmented and contained (Wolfe, 2006; World Bank, 2024; UNCTAD, 2023). **Table 33** and Figure 44 capture the demographic engine of this transformation: a more than seven-fold rise in settlers since 1986, reinforced by incentives and planning instruments (PCBS, 2025; ICBS, 2023).

In Gaza, the blockade and repeated military campaigns culminate in the systematic dismantling of life-support systems—power, water, health, housing, and markets—yielding collapsed output, extreme unemployment, and mass civilian casualties now tracked by international monitors (WHO, 2025; World Bank, 2024; IPC, 2025). Taken together, these dynamics constitute a coherent structure of elimination: immediate through targeted destruction in Gaza, incremental through demographic-economic replacement in the West Bank. The chapter's evidence base—combining demographic series, sectoral indicators, and health-humanitarian reporting—grounds the book's central claim that Palestine's contemporary political economy is being driven toward a genocide equilibrium. Reversing this trajectory will require halting settlement expansion, restoring territorial contiguity and resource access, lifting the blockade, and protecting civilian systems as economic assets indispensable to life and recovery.

The next chapter extends this analysis by shifting from diagnosis to reconstruction. It develops quantitative frameworks—ranging from the Reconstruction Multiplier Model (RMM) to Computable General Equilibrium (CGE) and Dynamic Stochastic General Equilibrium (DSGE) models—to desn macroeconomic pathways for recovery, fiscal stabilization, and convergence of Gaza and West Bank growth under post-genocide reconstruction scenarios.

CHAPTER 13

Prospects and Recommendations

Reconstruction in Gaza must be approached as a process of systemic economic reconstitution, not as a narrow exercise in replacing destroyed assets. Unlike post-disaster recovery in stable political environments, Gaza's post-genocide condition is defined by the near-total destruction of physical capital, the collapse of formal markets, the fragmentation of governance structures, and deep uncertainty regarding movement, sovereignty, and external access. In such contexts, conventional reconstruction strategies—focused primarily on infrastructure rebuilding—have consistently failed to generate sustainable growth or social stability (Collier et al., 2003; World Bank, 2017).

At the same time, empirical evidence from the 2023–2024 period demonstrates that Gazan society maintained complex systems of production, distribution, governance, education, and cultural continuity under conditions of extreme and prolonged constraint. These systems constitute an endogenous resilience economy, capable of sustaining life and limited economic circulation even in the absence of functioning markets and formal state institutions (OCHA, 2024; UNDP, 2024). The future prospects of Gaza therefore depend on transforming this resilience from a survival-oriented mechanism into an institutionalized engine of development that can support recovery, growth, and long-term stability.

The chapter integrates qualitative evidence with quantitative projections and recovery scenarios developed by the Palestinian Monetary Authority (PMA, 2025), the World Bank (2024), UNCTAD (2023), ESCWA (2024), UNDP (2024), the International Monetary Fund (IMF, 2023), and PCBS (2025). **Table 35**, **Table 36**, **Table 37**, and **Table 38** and Figures 45–48 provide the empirical foundation for the proposed policy framework.

13.1. The Resilience of the Palestinian People

Resilience in Gaza is not an abstract moral attribute, nor can it be reduced to psychological endurance or cultural symbolism. Rather, it represents an empirically observable economic, institutional, and organizational capacity that has repeatedly manifested under conditions of extreme destruction and prolonged siege. Gazan society has maintained core functions of production, distribution, governance, education, healthcare, and cultural continuity despite the near-total collapse of physical infrastructure, markets, and formal state institutions during the 2023–2024 genocide (OCHA, 2024; UNDP, 2024). From a development economics perspective, this persistence reflects the operation of deeply embedded adaptive systems that compensate for institutional failure rather than merely reacting to it. Research on conflict-affected economies shows that societies exposed to repeated shocks often develop decentralized coordination mechanisms that substitute for formal institutions, allowing economic activity and social organization to persist even under severe structural disruption (Acemoglu & Robinson, 2012; Blattman & Miguel, 2010).

These adaptive systems are neither spontaneous nor accidental. They emerge from historically accumulated configurations of social organization, cultural norms, and institutional memory shaped by decades of displacement, blockade, and recurrent military destruction. Collectivist social structures—particularly extended kinship networks (hamula) and norms of communal obligation toward neighbors (jar)—form the backbone of this resilience. Anthropological and political economy research has long established that such structures function as informal governance systems, enabling trust, enforcement, and resource pooling in environments where formal contracts and state authority are weak or unreliable (Al-Hardan, 2016; Taraki, 2006). Studies of informal institutions in developing and conflict-affected economies further demonstrate that social networks frequently substitute for formal institutions by facilitating coordination, enforcing informal contracts, and reducing transaction costs (Greif, 2006; North, Wallis, & Weingast, 2009). In Gaza, these mechanisms translated into large-scale household consolidation, coordinated sheltering arrangements, community-managed distribution systems, and localized conflict-resolution practices that prevented social and economic collapse.

Intergenerational transmission of survival knowledge further strengthened these adaptive capacities. The Palestinian experience of repeated displacement—from the Nakba of 1948 through successive wars and the post-2007 blockade—has generated a cumulative reservoir of practical and cognitive survival

strategies. This historical memory is transmitted through family narratives, community practice, and institutional routines, enabling rapid mobilization of coping mechanisms during crises without the delays typically associated with institutional breakdown (Peteet, 2005; Sayigh, 2013). Psychological research on cumulative trauma supports this interpretation, demonstrating that populations exposed to repeated collective shocks often develop shared cognitive frameworks that facilitate coordination and adaptive decision-making under stress (Hammoudeh et al., 2023; Kira et al., 2013). Such adaptive cognitive structures help explain why communities subjected to prolonged conflict can maintain organizational coherence even in the absence of formal institutional stability.

From an economic perspective, these mechanisms function as a form of informal infrastructure. They reduce transaction costs, enable rapid coordination, and substitute for absent formal institutions. Informal markets, neighborhood committees, community kitchens, decentralized energy solutions, and micro-workshops are not merely marginal coping behaviors; rather, they represent endogenous economic responses that preserved life and minimal economic circulation when markets and the state failed (CESR, 2024; FAO, 2024; WFP, 2024). Development economics literature has increasingly recognized that informal institutions can play critical stabilizing roles in fragile and conflict-affected settings by sustaining economic exchange and social protection when formal governance systems collapse (Rodrik, 2007; Besley & Persson, 2011). In this sense, Gaza's community-based systems operate as shadow markets and governance structures that maintain allocative and distributive functions under conditions of systemic collapse.

The economic relevance of this resilience becomes particularly evident when examining firm-level recovery trajectories. The success story of Hamada Al-Khouli Bakery provides a concrete illustration of how resilience translates into post-war economic revival. Prior to October 2023, the bakery operated as a medium-scale enterprise employing more than 50 workers and serving as a trusted supplier of bread across Gaza City. During the early phase of the war, the bakery continued operating, supplying hospitals and humanitarian institutions until evacuation orders forced its closure (WFP, 2024). This continuity under bombardment highlights the role of reputational capital, skilled labor, and embedded community trust in sustaining production even under extreme risk. Empirical research on small-enterprise resilience in fragile economies demonstrates that firms embedded in strong local networks often recover faster after shocks because trust-based relationships reduce coordination costs and facilitate rapid reactivation of supply chains (Brück, Naudé, & Verwimp, 2013; Collier, 2009).

Following its complete destruction, the bakery's owner initiated reconstruction near the original site despite severe constraints, including capital scarcity, inflated machinery prices, disrupted supply chains, and uncertainty regarding future demand. The new facility initially restored only approximately 20 percent of pre-war production capacity, underscoring the structural barriers facing private sector recovery in post-genocide contexts. Nevertheless, the enterprise survived because it was able to re-establish institutional linkages rather than relying solely on physical reconstruction.

Recovery became viable when the bakery re-entered a structured demand channel through a contractual arrangement with the World Food Programme. By supplying flour and fuel, WFP enabled the bakery to sell bread at a subsidized price—3 shekels for a 2-kilogram bundle—thereby supportg food security while simultaneously reactivating local employment and production (WFP, 2024). This hybrid humanitarian–market arrangement illustrates how procurement-based interventions can stabilize essential consumption while strengthening domestic productive capacity rather than displacing it. Similar procurement-based recovery strategies have been shown to support local markets and accelerate economic recovery in post-conflict environments (Blattman & Annan, 2016; World Bank, 2024).

The Al-Khouli Bakery case yields several policy-relevant lessons for reconstruction planning. First, local enterprises with strong reputational capital and embedded community trust constitute restartable economic assets even after total physical destruction when provided with access to inputs and predictable demand. Second, humanitarian assistance need not operate as a parallel economy; when designed strategically, humanitarian–market hybrid contracts can serve as transitional mechanisms linking emergency response to market recovery. Third, small and medium enterprises (SMEs), particularly in food production and basic services, generate high local multiplier effects and rapid employment recovery, making them optimal entry points for early reconstruction investment (UNCTAD, 2023; World Bank, 2024).

Accordingly, resilience should be understood as Gaza's most abundant form of post-genocide economic capital. Unlike physical infrastructure, which requires years and substantial financial resources to rebuild, resilience already exists in operational form within households, communities, and local enterprises. Effective reconstruction policy must therefore institutionalize—rather than bypass—these adaptive systems. Failure to do so risks undermining endogenous recovery mechanisms and reinforcing dependency, whereas integrating resilience into formal reconstruction frameworks can accelerate recovery, enhance institutional legitimacy, and promote long-term economic

sustainability. This resilience is also observable in the West Bank, albeit under different conditions. Palestinians in the West Bank share similar cultural frameworks and social networks that sustain collective endurance and economic survival despite ongoing political and economic constraints, enabling communities to maintain social cohesion and economic activity under prolonged uncertainty.

13.2. Economic Development Strategies

Future economic development in Gaza must be designed under the assumption that physical mobility will remain volatile and politically constrained for the foreseeable future. Consequently, development strategies that rely heavily on cross-border trade, centralized industrial zones, or uninterrupted logistics chains face structural vulnerability. Instead, Gaza's recovery must prioritize border-light and shock-resilient growth pathways—economic activities that rely primarily on human capital, digital connectivity, and decentralized infrastructure rather than the continuous physical movement of goods (World Bank, 2024).

Digital transformation therefore emerges not merely as an auxiliary component of recovery but as a central pillar of Gaza's post-genocide economic strategy. Digital services—such as software development, online education, digital design, remote professional services, and fintech—allow income generation to occur independently of physical exports. Empirical evidence from fragile and conflict-affected states shows that digital sectors often recover faster than manufacturing and can generate employment even under conditions of political instability, provided connectivity and regulatory frameworks are in place (IMF, 2023; World Bank, 2024; Hjort & Poulsen, 2019).

In addition to digitalization, the strategic use of imports plays a crucial role in rebuilding economic competitiveness. While exports are often emphasized in traditional development models, for structurally constrained economies such as Palestine it is frequently easier and more effective to enhance productivity through imports of capital goods, advanced machinery, digital technologies, and other productive inputs. Productive imports enable firms to adopt modern production techniques, increase efficiency, and upgrade technological capabilities. In this sense, imports serve as an important channel of technology transfer and knowledge diffusion, allowing domestic firms to benefit from innovations developed in more advanced economies.

A substantial body of empirical research confirms the productivity-enhancing role of imports. Studies show that imports of intermediate goods and capital equipment embody advanced technologies that raise firm-level

productivity and facilitate industrial upgrading (Coe & Helpman, 1995; Amiti & Konings, 2007; Halpern, Koren, & Szeidl, 2015). For example, Amiti and Konings (2007) demonstrate that reductions in tariffs on imported intermediate inputs significantly increased productivity among Indonesian manufacturing firms, while Halpern et al. (2015) show that imported inputs account for a large share of productivity growth through embodied technology transfer. Similarly, Kasahara and Rodrigue (2008) find that firms that begin importing intermediate goods experience significant increases in TFP. At the macroeconomic level, international R&D spillovers transmitted through trade have been shown to contribute significantly to economic growth in developing economies (Coe & Helpman, 1995). These findings suggest that access to foreign machinery, equipment, and technological inputs is a critical mechanism through which developing economies improve their competitiveness and integrate into global value chains.

For Gaza, the importation of digital infrastructure, renewable energy technologies, industrial machinery, and advanced communication equipment will therefore be essential for rebuilding productive capacity and facilitating the emergence of new competitive sectors. In an environment where domestic capital formation has been severely constrained by conflict and infrastructure destruction, productive imports can function as a substitute mechanism for technological upgrading and economic modernization. Strategic import policies focused on machinery, digital technologies, and industrial inputs could therefore play a central role in enabling Gaza's economic recovery and long-term competitiveness.

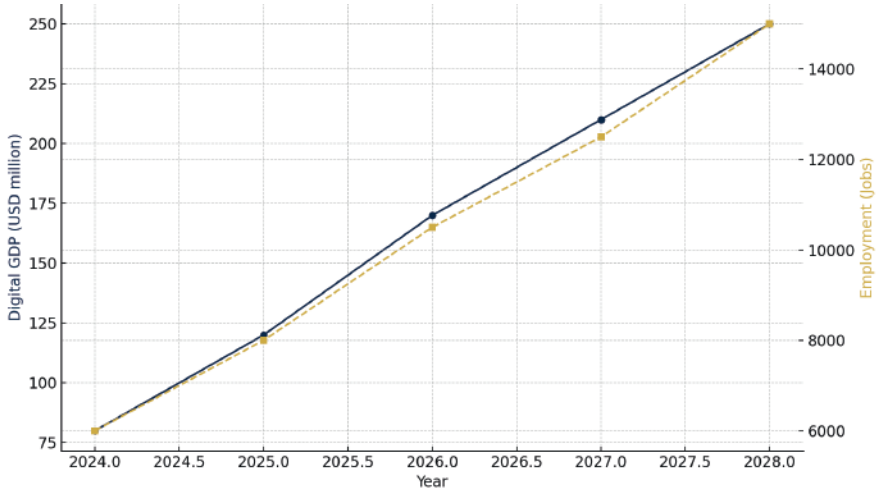
Gaza's demographic structure further strengthens the viability of this strategy. Approximately 70 percent of the population is under the age of 30, and pre-war tertiary enrollment rates were among the highest in the region (PCBS, 2025). Projections by the PMA (2025), McKinsey (2022), and the World Bank (2024) estimate that the digital economy could contribute up to USD 250 million to Gaza's GDP by 2028, contingent on broadband penetration reaching 60 percent and the expansion of remote-work infrastructure. Employment in digital services is projected to increase from 6,000 jobs in 2024 to 15,000 jobs by 2028. **Table 35** show the digital economy growth projections from the year 2024 to 2028.

Table 35 Digital Economy Growth Projections (2024–2028)

Year	Digital GDP Contribution (USD million)	Employment (Jobs)
2024	80	6,000
2025	120	8,000
2026	170	10,500
2027	210	12,500
2028	250	15,000

Source: PMA (2025); McKinsey (2022); World Bank (2024).

Figure 42 Digital Economy Growth in Gaza (2024-2028)



Source: PMA (2025); McKinsey (2022)

Beyond income generation, digitalization also plays a critical role in institutional reconstruction. E-government systems improve tax administration, reduce leakage in public expenditure, and enhance transparency in aid and reconstruction finance. Research on post-conflict fiscal systems suggests that digital public-finance management tools significantly improve fiscal governance and accountability when supported by appropriate regulatory frameworks (Gupta, Keen, Shah, & Verdier, 2017; World Bank, 2024). In Gaza's case, digital governance tools could strengthen the operational capacity of the Palestinian Monetary Authority (PMA) and the Ministry of Finance while restoring donor and investor confidence. Together, digital transformation and

strategic productive imports can create the technological foundation necessary for Gaza's transition from a collapsed war economy toward a resilient and competitive economic structure.

13.3. Opportunities for Growth and Innovation

While digital services provide a macro-level growth pathway, innovation-driven entrepreneurship represents a critical micro-level engine of recovery. Gaza's economy has historically relied on small and medium enterprises (SMEs), particularly in food production, repair services, tailoring, construction inputs, and agriculture. Post-genocide recovery therefore depends on restoring the productive capacity of these enterprises while upgrading their access to finance, technology, and markets.

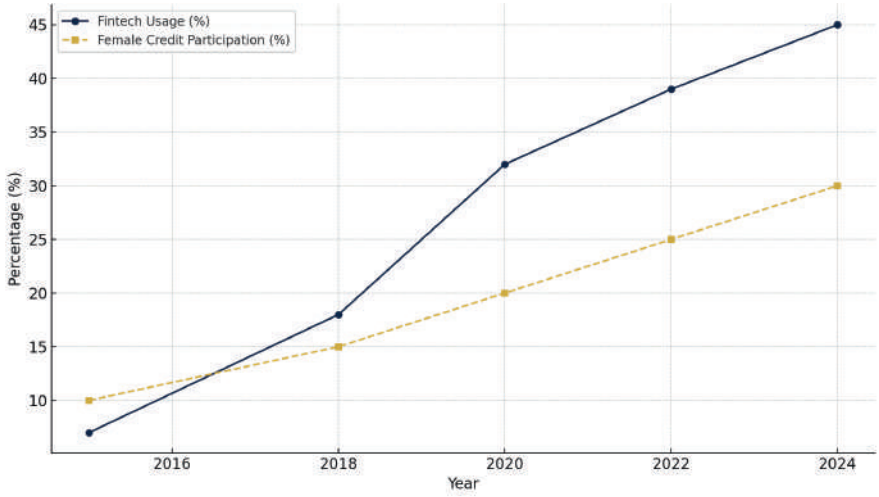
Financial technology (fintech) has emerged as a particularly important enabler. Despite infrastructural collapse, fintech usage increased from 7 percent in 2015 to 45 percent in 2024, reflecting the diffusion of mobile payments and digital wallets (PMA, 2025; IMF, 2023). Female participation in formal credit markets increased from 10 percent to 30 percent, yet remains constrained by structural barriers and risk aversion within the banking system (World Bank, 2024). **Table 36** shows the Fintech Penetration and Female Credit Participation from the year 2015 to 2024.

Table 36 Fintech Penetration and Female Credit Participation (2015–2024)

Year	Fintech Usage (%)	Female Credit Participation (%)
2015	7	10
2018	18	15
2020	32	20
2022	39	25
2024	45	30

Source: PMA (2025); IMF (2023); World Bank (2024).

Figure 43 Fintech Adoption and Female Credit Participation (2015-2024)



Source: PMA (2025); IMF (2023).

Fintech-enabled micro-lending offers multiple recovery dividends. First, it accelerates livelihood restoration for micro-entrepreneurs operating in sectors critical to daily survival. Second, it improves efficiency and transparency in humanitarian cash transfers, reducing transaction costs and leakage. Third, it supports gender-inclusive recovery by expanding access to finance for women-led enterprises—an outcome strongly associated with improved household welfare and post-conflict growth (Demirgüç-Kunt et al., 2022).

Innovation policy must also leverage Gaza's universities and professional class. Applied research partnerships and Technology Transfer Offices focused on renewable energy, water reuse, climate-resilient agriculture, and low-cost construction materials can generate productivity gains while addressing binding resource constraints (UNDP, 2024). Evidence from post-conflict economies indicates that embedding innovation within local institutions increases absorptive capacity and reduces dependency on external expertise (Rodrik, 2007).

13.4. Recommendations for Policy Makers

Sustainable recovery in Gaza requires re-integration into regional production systems while preserving fiscal and institutional coherence. Decades of blockade reduced Gaza's exports from USD 125 million in 2010 to USD 15 million in 2024, leading to the near-collapse of manufacturing capacity (UNCTAD,

2023). Reversing this trajectory necessitates deliberate regional coordination rather than ad-hoc trade openings.

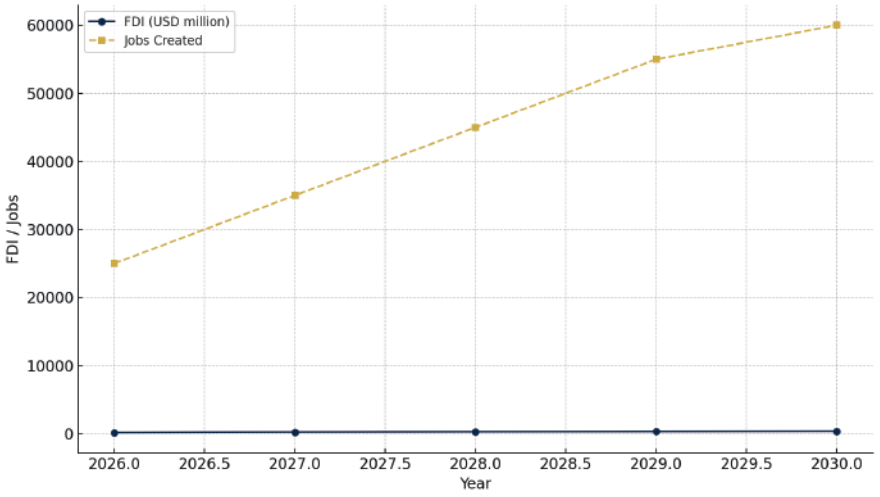
UNCTAD (2023) and ESCWA (2024) project that Cross-Border Economic Zones (CBEZs) at Rafah and Karni could attract up to USD 350 million in annual Foreign Direct Investment (FDI) and create 60,000 jobs by 2030, reducing unemployment by 12 percentage points. **Table 37** shows the Projected Impacts of Cross-Border Economic Zones from the year 2026 to 2030.

Table 37 Projected Impacts of Cross-Border Economic Zones (2026–2030)

Year	FDI (USD million)	Jobs Created	Unemployment Reduction (%)
2026	150	25,000	3.0
2027	220	35,000	6.0
2028	280	45,000	8.0
2029	320	55,000	10.0
2030	350	60,000	12.0

Source: UNCTAD (2023); ESCWA (2024); PCBS (2025).

Figure 44 Projected Growth from Cross-Border Economic Zones (2026-2030)



Source: UNCTAD (2023); ESCWA (2024).

To ensure policy coherence, a Gaza Reconstruction and Development Authority (GRDA) should be established to coordinate infrastructure investment, PPPs, and donor finance. Comparative evidence from post-conflict reconstruction demonstrates that unified authorities reduce duplication, corruption, and absorption bottlenecks (World Bank, 2017). Integration of the GRDA into the Palestinian fiscal framework, under PMA oversight, is essential for transparency and credibility.

13.5. Long-Term Vision for the Gaza Strip and The West Bank Macroeconomic Adjustment Models for a Post-Genocide Palestine

A credible long-term vision for Gaza's recovery cannot be separated from macroeconomic stabilization and structural transformation at the level of the Palestinian economy as a whole. A ten-year reconstruction horizon requires carefully balancing large-scale investment mobilization with fiscal sustainability, macroeconomic stability, and institutional absorption capacity. In post-conflict and post-genocide settings, rapid capital inflows—if not properly sequenced and governed—can generate inflationary pressures, external imbalances, and renewed dependency rather than durable growth (World Bank, 2017; IMF, 2023). Accordingly, Gaza's reconstruction must be embedded within a coherent macroeconomic framework that links physical rebuilding to long-run convergence between the Gaza Strip and the West Bank.

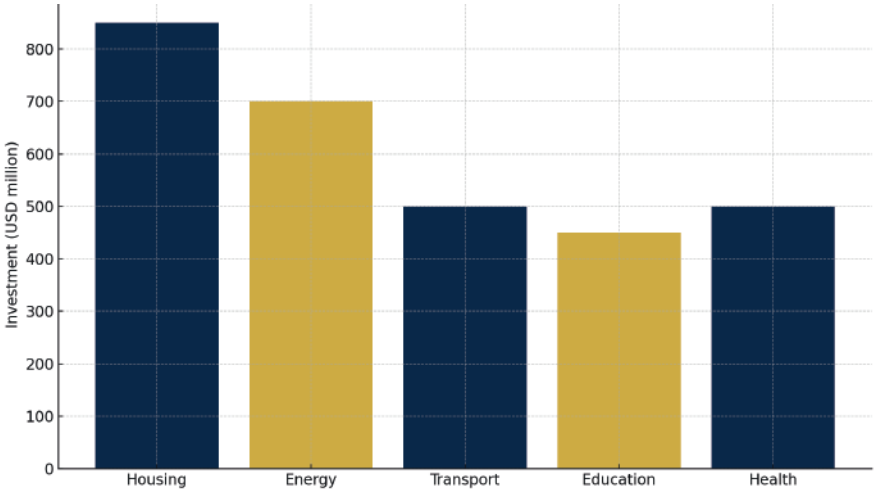
Available assessments estimate that total reconstruction investment needs exceed USD 3 billion over the period 2025–2035, distributed across housing, energy, transport, education, and health (UNDP, 2024; World Bank, 2024; PMA, 2025). These sectors reflect both immediate humanitarian imperatives and long-term growth constraints, particularly energy insecurity, infrastructure bottlenecks, and human-capital erosion resulting from prolonged conflict. **Table 38** shows the Gaza Reconstruction Investment Plan between the year 2025 and 2035.

Table 38 Gaza Reconstruction Investment Plan (2025–2035)

Sector	Investment (USD million)	Implementation Phase
Housing and Urban Development	850	2025–2030
Energy and Renewables	700	2025–2035
Transport Infrastructure	500	2026–2032
Education and Training	450	2026–2035
Health and Social Services	500	2025–2032

Source: UNDP (2024); World Bank (2024); PMA (2025).

Figure 45 Gaza Reconstruction Investment Plan by Sector (2025-2035)



Source: UNDP (2024); World Bank (2024).

The proposed investment envelope is not intended to be implemented uniformly over time. Instead, rebuilding Gaza's capital stock must follow a phased reconstruction strategy aligned with absorptive capacity and macroeconomic conditions. In the short term (2025–2027), the priority is emergency stabilization. This phase focuses on restoring basic energy supply, providing temporary and transitional housing, rehabilitating water and sanitation systems, and securing food-supply infrastructure. These interventions generate high short-run multipliers through labor-intensive activities while preventing further erosion of human capital (World Bank, 2024).

The medium-term phase (2028–2030) emphasizes industrial regeneration and productive capacity rebuilding. Investments during this period prioritize construction materials, logistics networks, light manufacturing, and renewable-energy facilities. The objective is to re-establish domestic supply chains, reduce import dependence, and generate employment at scale. Empirical evidence from post-conflict economies suggests that this phase is critical for shifting recovery from consumption-driven growth to investment- and productivity-led expansion (Collier et al., 2003; UNCTAD, 2023).

The long-term phase (2031–2035) focuses on integration and innovation. This includes expansion of the digital economy, development of research and technology hubs, and implementation of sustainable urban systems. At this

stage, reconstruction transitions into development, with growth increasingly driven by human capital, knowledge-based activities, and regional economic integration rather than reconstruction spending alone.

Achieving macroeconomic stability across these phases requires analytical tools capable of balancing fiscal stimulus, investment absorption, and external financing constraints. Integrating formal macroeconomic frameworks into national planning is therefore essential for evidence-based decision-making and for maintaining international confidence in Palestine's reconstruction trajectory. Three complementary macroeconomic models are proposed to guide this process.

The RMM provides short- to medium-term estimates of the output and employment effects of public investment. World Bank (2024) simulations for fragile and conflict-affected economies suggest fiscal multipliers ranging from 1.4 to 1.8, depending on sectoral composition and labor intensity. In Gaza's context, this implies that each USD 1 invested in infrastructure could generate up to USD 1.8 in total output through direct employment, induced consumption, and supply-chain linkages. The RMM is particularly valuable for prioritizing projects during the emergency and industrial-regeneration phases, when fiscal space is limited and employment creation is urgent.

The CGE model provides a medium-term, economy-wide perspective on reconstruction. When calibrated using PCBS (2025) social accounting matrices, the CGE framework can assess how reconstruction spending on housing, energy, and transport affects sectoral output, household income distribution, imports, and employment. Simulation results indicate that sustained reconstruction investment equivalent to 15 percent of GDP annually could increase total employment by approximately 9 percent within five years, while also reducing sectoral bottlenecks and improving income distribution. Importantly, the CGE model allows policymakers to anticipate trade-offs, such as import surges or real exchange-rate pressures, and to design mitigating policies in advance.

The DSGE model extends the analysis to the long-term convergence between Gaza and the West Bank under alternative reconstruction and financing scenarios. By explicitly modeling expectations, external shocks, and intertemporal fiscal constraints, the DSGE framework provides insights into debt sustainability, growth volatility, and convergence dynamics. Simulation results suggest that sustained investment equal to 15 percent of GDP per year, combined with stable external financing, could raise real GDP growth to 6–8 percent within five years and halve the income gap between Gaza and the West Bank by 2035 (IMF, 2023; World Bank, 2024). This model is

essential for assessing the long-run viability of reconstruction strategies and for communicating credible macroeconomic paths to international partners.

Fiscal stabilization across all phases would rely on blended-finance instruments, combining grants, highly concessional loans, and diaspora bonds. Grants remain essential during the early stabilization phase to avoid debt distress, while concessional lending and diaspora investment can play a greater role during later phases as productive capacity recovers. Strong fiscal governance mechanisms—including transparent budgeting, independent audits, and digital public-finance systems—are necessary to ensure that increased inflows translate into sustainable assets rather than recurrent liabilities (IMF, 2023).

Social sustainability is equally critical. Progressive taxation, gender-inclusive labor policies, and reinvestment in education and health are required to ensure that reconstruction-driven growth translates into broad-based welfare improvements rather than enclave development. Empirical evidence shows that post-conflict growth is more durable when accompanied by inclusive labor-market policies and sustained human-capital investment (World Bank, 2017; UNDP, 2024).

Embedding these macroeconomic models within Palestinian institutions—particularly the Palestinian Monetary Authority (PMA), the Ministry of Finance, and the GRDA —would significantly strengthen policy coherence and credibility. Integrating them into a unified Macroeconomic Simulation Platform (MSP) would enable scenario-based planning, stress testing of financing options, and coordinated dialogue with donors and regional partners. Such a platform would mark a decisive shift away from fragmented, ad-hoc humanitarian budgeting toward a structured, data-driven macroeconomic strategy.

Through this integrated approach, macroeconomic management in post-genocide Palestine would evolve from crisis response to strategic development planning—capable of supporting sustainable reconstruction, maintaining fiscal balance, and achieving long-term growth convergence between the Gaza Strip and the West Bank. This book aims to demonstrate how a transition toward a digital economy can serve as a viable pathway for promoting economic growth in both the West Bank and Gaza. Advancing digitalization has the potential to mitigate the constraints imposed by checkpoints and barriers to labor mobility in the West Bank and the Gaza Strip, thereby reducing the adverse effects of immobility resulting from the Israeli occupation.

The recommendations presented in this book are designed to redirect the Palestinian economy away from a trajectory toward a genocide economy by

proposing policies that should be implemented in both the West Bank and the Gaza Strip.

13.6. Chapter Summary

This chapter presented a comprehensive and multidimensional roadmap for Gaza's post-genocide reconstruction and long-term economic transformation, grounded in empirical evidence and institutional analysis. Moving beyond conventional post-conflict recovery frameworks, the chapter conceptualized reconstruction as a process of economic reconstitution—one that transforms Gaza's survival-based resilience into a productive, inclusive, and institutionally anchored development model. The chapter demonstrated that resilience is not merely a social characteristic, but a foundational economic asset that can be institutionalized to accelerate recovery and restore economic agency.

The analysis combined digital innovation, resilience-based enterprise recovery, entrepreneurial inclusion, and regional economic reintegration to outline both immediate recovery strategies and longer-term stabilization mechanisms. It showed that digital transformation—if supported by reliable energy, broadband infrastructure, and regulatory reform—could contribute approximately USD 250 million to Gaza's GDP by 2028, while generating up to 15,000 jobs that are largely independent of physical border constraints. In parallel, fintech-enabled financial inclusion was shown to be a critical tool for restoring livelihoods, particularly for women and youth, by expanding access to credit, reducing transaction costs, and improving the efficiency and transparency of humanitarian and reconstruction finance.

At the regional level, the chapter highlighted the transformative potential of CBEZs, which—under coordinated customs, logistics, and regulatory arrangements—could attract up to USD 350 million in annual FDI, create approximately 60,000 jobs, and reduce unemployment by 12 percentage points by 2030. The analysis emphasized that such integration is not merely a trade policy choice, but a structural requirement for restoring Gaza's productive base and reconnecting it to regional value chains. To support these processes, the chapter underscored the necessity of establishing a unified and transparent reconstruction authority, integrated into the Palestinian fiscal framework and supported by the Palestinian Monetary Authority, international agencies, and diaspora investors, capable of mobilizing more than USD 3 billion for physical and institutional rebuilding.

A central contribution of the chapter was the integration of formal macroeconomic adjustment models into the reconstruction narrative. The application of RMMs, CGE models, and DSGE frameworks was shown to

provide a quantitative roadmap for managing fiscal stimulus, investment absorption, and external financing risks. When embedded within Palestinian institutions and coordinated through a national Macroeconomic Simulation Platform, these models offer a credible mechanism for guiding Gaza toward sustained real growth rates of 6–8 percent within five years, while supporting long-term income convergence with the West Bank by 2035.

Ultimately, this chapter – and the book as a whole – demonstrates that sustainable recovery in Gaza requires far more than rebuilding what has been destroyed. It demands a deliberate and coordinated transition away from a genocide economy toward a knowledge-driven, sovereign, and resilient economic system rooted in local capacity, institutional integrity, and regional integration. The chapter concludes by emphasizing that future research should deepen and extend these macroeconomic frameworks, incorporating dynamic modeling of capital flows, labor mobility, demographic change, and climate-resilient growth pathways. Such work is essential for informing evidence-based policy design and for ensuring that Gaza's reconstruction leads not to renewed vulnerability, but to a just, durable, and self-sustaining economic future.

Glossary of Terms

Absorption Capacity: The economy's ability to effectively use aid, investment, or reconstruction funds without causing inflation or inefficiency.

Adaptive Economy: An economy that evolves under blockade, conflict, or external shocks, maintaining minimum productivity through informal mechanisms.

Aid Dependency: A structural condition in which an economy relies heavily on external financial assistance for basic functioning, limiting endogenous growth and policy autonomy.

Aggregate Demand: Total demand for goods and services in an economy during a specific period.

Augmented Dickey-Fuller (ADF) Test: A test used to determine the stationarity of time series data.

Blended Finance: A financial strategy combining grants, concessional loans, and private investment to fund development in fragile economies.

Blockade Economy: An economic system shaped by severe restrictions on movement of goods, labor, and capital, resulting in constrained production, trade isolation, and reduced economic sovereignty.

Capital: The stock of physical assets, infrastructure, and productive resources used in economic production, including machinery, buildings, and public infrastructure.

Cauchy Sequence: A sequence in which the distance between its terms becomes arbitrarily small as the sequence progresses, indicating internal stability regardless of whether a limit is observed.

Cobb-Douglas Production Function: Economic function expressing output as a product of capital and labor inputs raised to constant powers.

Competitiveness: The ability of an economy or sector to produce goods and services that meet international standards while maintaining or increasing real income and market share under conditions of global competition.

Computable General Equilibrium (CGE) Model: An analytical model simulating economic responses to policy and external changes across sectors.

Conflict Intensity: A variable representing the scale and severity of conflict, often measured using proxies such as casualties, infrastructure destruction, or frequency of military actions.

Constant Elasticity of Substitution (CES) Production Function: A production model used to estimate output where capital and labor can substitute each other at a constant rate, allowing flexibility in modeling economies with structural rigidities.

Convergence (Mathematics and Economics): The process by which a sequence, variable, or economic system approaches a stable value or equilibrium over time. In economic contexts, it refers to movement toward stability, recovery, or balanced growth.

Convergence Economy: A process where a developing economy's growth rate allows it to catch up with advanced economies over time.

Coordination Deficit: A structural failure in aligning policies, institutions, or economic actors, resulting in inefficiencies, duplication of efforts, and suboptimal economic outcomes, particularly in fragmented or conflict-affected economies.

Cross-Border Economic Zone (CBEZ): An industrial and trade area located near borders to promote regional integration and job creation.

De-development: A process involving the deliberate dismantling or erosion of an economy's productive base, leading to long-term underdevelopment and dependency.

Diaspora Bonds: Debt instruments targeted at nationals living abroad to finance reconstruction or development.

Digital Economy: An economy driven by digital technologies, including internet-based services, e-commerce, digital finance, and data-driven production systems that enhance efficiency and connectivity.

Digital Transformation: The integration of digital technologies into economic and institutional systems, improving productivity, efficiency, and service delivery through innovations such as automation, data analytics, and digital infrastructure.

Divergence: The failure of a sequence or system to approach a stable limit, often characterized by instability, oscillation, or collapse. In economic terms, it reflects structural breakdown or widening disparities.

Dynamic Stochastic General Equilibrium (DSGE) Model: A model describing how economic variables evolve over time under random shocks. A macroeconomic tool analyzing long-term convergence and fiscal stability amid uncertainty.

Economic Convergence: A process in which an economy moves toward a stable growth path or equilibrium state, often associated with recovery, productivity gains, and structural balance.

Economic Decoupling: The process by which a region or sector becomes increasingly disconnected from the broader economy, leading to divergence in output, employment, and growth trajectories.

Economic Divergence: A condition in which economic indicators move away from stability, reflecting persistent shocks, structural imbalances, or systemic decline.

Economic Fragmentation: The division of an economy into geographically or institutionally disconnected units, resulting in reduced integration, inefficiencies, and unequal development outcomes.

Elasticity: A measure of responsiveness of demand or supply to changes in price, income, or other factors.

Elasticity of Substitution: A parameter in production theory measuring the ease with which capital and labor can be substituted for one another in the production process.

Fiscal Deficit: A condition in which government expenditures exceed revenues over a given period, often financed through borrowing or external aid.

Fiscal Multiplier: The ratio showing how much output increases for each unit of government spending. The ratio of GDP change to government expenditure change, indicating the efficiency of public spending.

Genocide Economy: A conceptual framework describing an economic system in which the destruction of productive capacity, infrastructure, and livelihoods is systematically engineered, leading to the erosion of the conditions necessary for human survival and economic recovery.

Governance: The system of institutions, policies, and practices through which authority is exercised, resources are managed, and economic and social outcomes are regulated.

Gross Domestic Product (GDP): The total monetary value of all final goods and services produced within an economy over a specified period, used as a primary measure of economic performance.

Inflation: A sustained increase in the general price level of goods and services in an economy over time, resulting in a decline in purchasing power.

Informal Economy: Economic activities that operate outside formal regulation, taxation, and official statistics, often expanding in response to conflict, restrictions, or institutional weaknesses.

Imports: Goods and services purchased from foreign economies for domestic consumption, production, or investment.

Knowledge Economy: An economy based on intellectual capabilities and information rather than physical capital. A system driven by education, research, and technology-based production rather than physical or resource-based industries.

Labor: The human workforce engaged in economic activity, including employed and actively seeking employment individuals.

Macroeconomic Adjustment Model: A framework for assessing fiscal, monetary, and reconstruction policies during post-conflict recovery.

Macroeconomic Stability: A state of low inflation, sustainable fiscal balance, and steady economic growth.

Metric Space: A mathematical structure consisting of a set and a distance function, used to define and analyze convergence, stability, and relationships between elements.

Non-Convergence: A condition in which an economic system fails to move toward equilibrium, often due to persistent shocks, structural constraints, or external interventions.

Occupation Economy: An economic system operating under external control, where key economic decisions, resource access, and market interactions are constrained by an occupying power.

Panel Data: A dataset that tracks multiple entities over time, allowing analysis of dynamic relationships and causal interactions across both cross-sectional and time dimensions.

Production Function: A mathematical relationship that describes how inputs such as capital and labor are transformed into output within an economy or firm.

Productive Capacity: The ability of an economy to produce goods and services, determined by the availability and efficiency of capital, labor, and technology.

Public–Private Partnerships (PPPs): Cooperative arrangements between government and private sector for public service delivery.

Reconstruction Multiplier Model (RMM): An analytical model estimating the total economic effect of reconstruction spending. A tool estimating the GDP effect of reconstruction investment—often exceeding 1.4 in Gaza's context.

Resilience (Economic): The capacity of an economy or society to absorb shocks, adapt to disruptions, and maintain core functions despite adverse conditions.

Sequence: An ordered set of values indexed over time or natural numbers, often used to represent economic variables such as GDP, employment, or capital accumulation.

Shadow Markets: Informal or unregulated economic activities that operate outside official systems, often emerging in response to restrictions, blockades, or institutional weaknesses.

Structural Break: A point in time at which the underlying relationship between economic variables changes significantly due to external shocks such as war, blockade, or policy shifts, leading to instability in long-term trends.

Structural Dependency: A condition where an economy's functioning is systematically reliant on external systems or actors, limiting independent development.

Structural Non-Convergence: A condition in which an economy persistently fails to move toward equilibrium due to systemic constraints such as conflict, occupation, or institutional breakdown, preventing recovery through conventional economic mechanisms.

Sustainable Development Goals (SDGs): UN targets for eradicating poverty, protecting the planet, and ensuring prosperity for all by 2030. The 17 UN-adopted goals aimed at ending poverty and promoting inclusive, sustainable global growth.

Topological Convergence: A mathematical-economic concept describing how sequences of economic adjustments approach equilibrium.

Topological Space: A mathematical structure consisting of a set and a collection of open sets that define continuity and convergence without relying on distance, providing a generalized framework for analyzing dynamic systems.

Total Factor Productivity (TFP): A measure of overall efficiency in production, capturing the contribution of technology, innovation, and institutional quality beyond capital and labor inputs.

Trade Deficit: A situation in which a country's imports exceed its exports, indicating a net outflow of domestic income to foreign economies.

Unemployment: The condition in which individuals who are able and willing to work are unable to find employment, typically measured as a percentage of the labor force.

War Economy: An economic system shaped by prolonged conflict, where resources are reallocated toward survival, military activity, and emergency consumption rather than long-term development.

List of Abbreviations

ADF: Augmented Dickey-Fuller

CBEZ: Cross-Border Economic Zone

CES: Constant Elasticity of Substitution

CGE: Computable General Equilibrium

DSGE: Dynamic Stochastic General Equilibrium

FAO: Food and Agriculture Organization

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

GRDA: Gaza Reconstruction and Development Authority

ICJ: International Court of Justice

IMF: International Monetary Fund

OCHA: Office for the Coordination of Humanitarian Affairs

PCBS: Palestinian Central Bureau of Statistics

PMA: Palestine Monetary Authority

PPPs: Public–Private Partnerships

RMM: Reconstruction Multiplier Model

SDGs: Sustainable Development Goals

TFP: Total Factor Productivity

UN: United Nations

UNCTAD: UN Conference on Trade and Development

UNDP: UN Development Programme

UNRWA: UN Relief and Works Agency

WHO: World Health Organization

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The Convergence of the Palestinian Economy towards a Genocide Economy

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