

Gaza: Fact Sheet August 1, 2014¹

Area: 360 KM²
Population: 1.8 million
GDP (current prices): USD2,9 billion
GDP per capita (current prices): USD1,715.4
Poverty: 39 percent
Unemployment: 41 percent

A. The Palestinian Economy

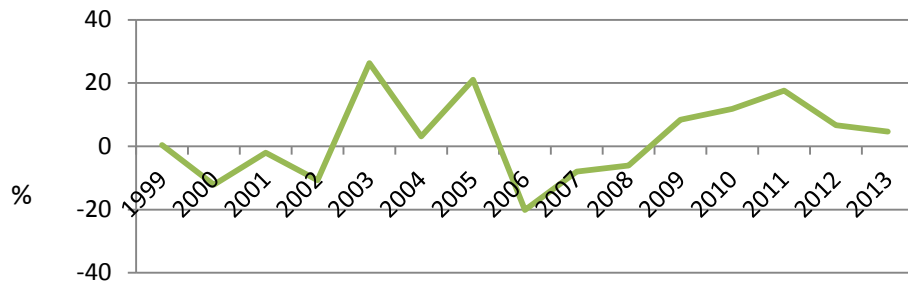
Overall Palestinian economic growth slowed considerably and is estimated to have fallen to 1.5% in 2013. A quarter of the Palestinian workforce remains unemployed—including one of every three workers in Gaza. A quarter of the Palestinian population lives in poverty, with rates in Gaza twice as high as in the West Bank. The economic slowdown has resulted in fiscal pressures that put at risk the provision of public services by the Palestinian Authority.

The PA is facing a grim fiscal situation: with a higher than expected budget deficit and donors' expected support in 2014 less than last year's amount, it is trying to reverse the situation through steps to raise domestic revenues and control expenditures. A dynamic private sector can generate the sustainable growth needed; however, restrictions put in place by the Government of Israel continue to stand in the way of potential private investment. Access to Gaza remains highly controlled, and much of Area C, which makes-up 60% of the West Bank, is inaccessible to Palestinians.

The Gaza Economy: Economic activity in Gaza remains volatile and almost entirely dependent on aid and remittances, with growth rates determined by (i) the level of aid inflows and (ii) the degree of trade restrictions. Gaza's final consumption is 1.6 times larger than GDP, and its investment a mere 5 percent of GDP, predominantly in housing. Estimated exports are very low at less than five percent of GDP. Gaza's GDP per capita is half of that in the West Bank, and its poverty and unemployment rates (both close to 40 percent) are roughly twice as high as those in the West Bank.

Gaza's real GDP growth has been highly volatile with a downward trend in recent years

¹ This note covers the situation in Gaza only.



Source: Palestinian Central Bureau of Statistics

B. Economic Impact in Gaza of the current conflict

Even though the impact of the ongoing conflict on Gaza’s economy is difficult to estimate at this point, it is expected to be severe. Currently, only partial estimates of damages are available, which makes it impossible to measure the impact of the conflict with any degree of accuracy. However, it is certain that economic activity has been and will continue to be drastically reduced for the duration of the conflict. Furthermore, infrastructure damages are likely to reduce potential output even after the conflict ends. Finally, the Palestinian Authority’s (PA) already difficult fiscal situation (USD 1.3 billion deficit), is only expected to worsen with the need for relief and reconstruction in Gaza.

The text that follows, presents PA and UN preliminary damage estimates to date (July 31, 2014).

a) Overall Impact

According to the PA Ministry of National Economy, Gaza has sustained damages of roughly USD3 billion since initiation of the conflict.²

b) Water and Sanitation Sector

Data collected by the PA’s Gaza Coastal Municipal Water Utility (CMWU) and Palestinian Water Authority (PWA) indicates a significant shortage of water services and a severe public health threat to the population of Gaza. More than 80 percent of the water wells in Gaza are estimated to not function with about 1.2 million people lacking access to water and sanitation services. Furthermore, additional service disruptions could materialize due to lack of operations and maintenance (several CMWU team members were killed while on duty).

PA estimates that only 50 percent of wastewater is treated. The treatment is currently of low quality with about 100,000 million cubic meters of raw sewage discharged directly to the sea, raising concerns for the environment and public health. In addition, there is a potential threat to the structural integrity of Beit

² Ma'an, July 22, 2014

Lahiya Sewage Lake (part of the Northern Gaza Emergency Sewerage Treatment (NGEST) project). Limited availability of electricity will limit the pumping of wastewater into the engineered wastewater lagoons. This, coupled with lack of wastewater treatment, could cause an expansion of the “sewage lake” with ensuing dangers to the health of the population and to the environment.

The PWA and CMWU estimate that about USD20 million will be needed to repair the water and sanitation infrastructure damage.

c) Energy Sector

The energy crisis in Gaza has been identified as a primary constraint to economic development even prior to the current conflict. The capacity of Gaza’s only power plant (GPP) was restricted by limited fuel availability due to the trade restrictions and a poor distribution network. On July 29, the GPP was severely damaged by Israeli bombardments that brought the plant’s operation to a halt. This further worsened the already severe power outages. Damage to the plant’s fuel tanks has further aggravated the plant’s difficulty in maintaining adequate fuel supply. According to the Palestinian Energy Authority under the PA, repairs to the steam generator and fuel tanks may take up to a year. The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) estimates that Gaza currently receives only about 64 MW of power from Egypt and Israel, equivalent to less than 18 percent of estimated demand.³

d) Housing Sector

According to UNOCHA⁴, close to one quarter of Gaza residents are internally displaced with about 200,000 staying with relatives and 240,000 housed in UN schools and public buildings. Also according to UNOCHA, 816 houses have been totally destroyed or severely damaged. The PA Ministry of Housing estimates that the cost of rebuilding Gaza homes damaged so far would amount to USD800 million.

e) Health and Education Sectors

In addition to the 1263 Palestinians killed (of whom at least 852 are civilian and 249 children)⁵, UNOCHA reports that more than 7,000 have been injured many of whom are likely to be permanently disabled. UNOCHA also reports that 120 schools and 18 health facilities have been damaged in Gaza as of July 26, 2014.

C. The Road to Reconstruction: Towards a Sustainable Economy in Gaza

Once the hostilities end, immediate efforts should focus on restoring the basic living conditions in Gaza through repairing housing, water, electricity and sanitation services based on urgent damage assessments. A cessation of hostilities will be a necessary prerequisite for a more comprehensive damage assessment to be carried out. Evidence from the 2012 conflict shows that Gaza’s economy could potentially rebound relatively well after cessation of hostilities. The strength of this rebound will primarily depend on two factors:

³ UNOCHA Gaza Emergency Situation Report as of 29 July 2014, 15:00h

⁴ http://www.ochaopt.org/documents/ocha_opt_sitrep_31_07_2014.pdf

⁵ According to UNOCHA (see previous footnote) the Israeli loss of life so far are 59 killed of which 2 civilians and 1 foreign national.

- a) Increased aid flows to finance the provision of essential public services and reconstruction efforts; and
- b) Easing restrictions on imports into Gaza from Israel and/or Egypt to meet the local consumption demand and reconstruction needs.

In the medium term, the key factor for a sustainable economy is to build a vibrant private sector, through easing of trade barriers, investments in key infrastructure and integration of the business climate across the West Bank and Gaza. In the short term, the binding constraint to reverse the downward trend of economic conditions in Gaza is to allow free movement of people and goods in addition to the reintegration of the West Bank and Gaza economies, while protecting the security of Israelis and Palestinians.

The World Bank Group stands ready to provide immediate support to the PA, private sector and civil society. Throughout the crisis, the World Bank Group has been engaged in regular dialogue with the PA and international partners to ensure strong coordination in development of a reconstruction and recovery plan for Gaza. The following programs may be considered by the PA and international community to address reconstruction and development needs:

- a) Increased budget support to the PA to fund the reconstruction efforts:
- b) Expansion of the National Cash Transfer Program of the PA to cover additional extremely poor households in Gaza.
- c) Community-based public works program to (i) promote short term employment to a large number of Gaza residents, (ii) inject liquidity into Gaza's economy, and (iii) rebuild basic infrastructure such as water, roads and electricity using local labor.
- d) Infrastructure rehabilitation through municipalities to rehabilitate basic infrastructure such as roads, water and sanitation, and local electricity networks – possibly through the PA's Municipal Development and Lending Fund.

D. The World Bank in the Palestinian territories.

The World Bank Group has an active portfolio in the Palestinian territories with more than USD900 million allocated since 1993 by the World Bank. In addition, the Bank has mobilized more than USD1.1 billion from donors. The Bank's ongoing program of investment operations is in the sectors of water and sanitation, energy, solid waste, urban development, and education. These programs are leveraged by a ratio of four to one by other international partners. About half of the World Bank-funded Palestinian investment operations are in Gaza.