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## Donor aid keeps Gaza economy afloat; World Bank report finds poverty reduction fragile and linked to donor aid

**GAZA, October 16, 2011** — A new report by the World Bank reveals a precarious economic situation in Gaza, where donor aid is keeping the economy afloat, unemployment is high, and a significant portion of the population lives very close to the poverty line.

*"This study highlights the vulnerability of so many families," said **Mariam J. Sherman, World Bank Country Director**. "This vulnerability is extremely relevant to understanding poverty in the West Bank and Gaza. Fluctuations in donor aid, employment – or both – can push many more Palestinians into poverty."*

For example, if household incomes decline 20 percent as they did in Gaza in 2007 – the proportion of households living in poverty in Gaza would increase from 33 percent to 49 percent.

In [\*Coping with Conflict: Poverty and Inclusion in the West Bank and Gaza\*](#), researchers found that international donor aid is driving a decline in poverty, even as unemployment increases and the economic structure show no improvement.

The report is the first major analysis of poverty in the West Bank and Gaza since 2001. Its findings will be announced at two separate events today and tomorrow in Gaza and Ramallah, respectively.

*"I don't think anyone was surprised at the tremendous increase in poverty in Gaza in 2007, when Hamas took control of Gaza and many donors redirected their aid," said **Tara Vishwanath, World Bank Lead Economist** who spearheaded the research team. "What did surprise us is the dramatic decline in poverty over the next two years, from 49.5 percent in 2007 to 33.7 percent in 2009. And while our analysis suggests that the rapid reduction in poverty in Gaza is good news; it is a fragile, unsustainable recovery based almost solely on donor aid."*

Vishwanath's team found that by 2009, international assistance in the West Bank and Gaza had doubled and a staggering 71 percent of all Gazans were beneficiaries of at least one form of social assistance.

The research shows that donor aid in the region is relatively well coordinated, especially within the Palestinian Authority. Only a fifth of all beneficiaries received more than one source of aid, and only six percent of all households receive multiple sources of assistance from the PA.

*"Given the context of the crisis of 2007 and the need for the rapid deployment of assistance, this is noteworthy and encouraging for future initiatives," wrote the World Bank researchers.*

The report also takes a look at the poverty implications of security restrictions on movement of goods and people, finding the highest poverty rates in areas with the most formidable checkpoints and barriers.

*"Comprehensive restrictions on the movement of goods and people within the West Bank, major constraints on the movement of goods to and from Israel, and a near total separation between the West Bank and Gaza have resulted in a highly fragmented and distorted economy," notes the report.*

Researchers also cite stark regional disparities in poverty, with every governorate in Gaza posting poverty rates at least as high as the poorest governorate in the West Bank.

*"One of the most important reasons for this divergence is the mobility restrictions imposed on Gaza, which has been almost entirely closed, with all movements across the border controlled by Israel," write Vishwanath's researchers. "The lack of inputs and lack of access to markets have severely damaged the private sector. We also find some evidence that external closures adversely affect Gaza's ability to absorb shocks, particularly those that require a supply response."*

Gaza and the West Bank have some of the highest unemployment rates in the world, coinciding with the regime of checkpoints and barriers. Overall unemployment rates are above 20 percent in the West Bank and above 35 percent in the Gaza.

While the report paints a rather bleak economic picture, it finds world-class achievements in human development; citing childhood nutrition indicators on par with the United States, high vaccination rates, near universal prenatal care, and 99 percent enrollment in school.

*"Taken together, these broad achievement in human development indicate long-term investments in health and education by the Palestinian Authority and the intrinsic value placed on human capital by Palestinians," according to the report. "The PA has also been successful in ensuring adequate and relatively equitable physical access to services, a remarkable achievement considering the difficult context."*

*"This is truly a case of putting people first," said Vishwanath. "It's impressive under any circumstance, but particularly noteworthy in the face of so many obstacles."*