

Gaza: Fact Sheet¹

Area: 360 KM²
Population: 1.8 million
GDP (current prices): US\$2,9 billion
GDP per capita (current prices): US\$1,715.4
Poverty: 39 percent
Unemployment: 41 percent

A. The Palestinian Economy

The Palestinian economy entered into a recession in 2014. A quarter of the Palestinian workforce remains unemployed—including 16% in the West Bank and 45% 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.

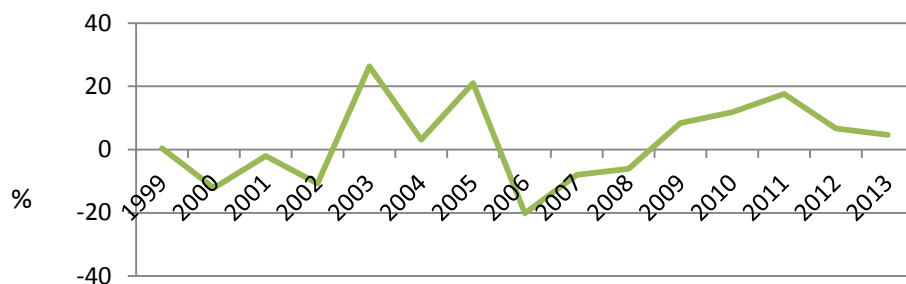
The PA is facing a grim fiscal situation: with a higher than expected budget deficit and donors' expected support in 2014 less than last year's amount, it is trying to reverse the situation through steps to raise domestic revenues and control expenditures. A dynamic private sector can generate the sustainable 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 rate is roughly twice as high as those in the West Bank.



¹ This note provides an update in response to the Gaza situation.

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



Source: Palestinian Central Bureau of Statistics

B. Economic Impact in Gaza of the current conflict

Early estimates of the conflict that ended with a cease fire on August 26, 2014 on Gaza's economy is expected to be severe. 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 (US\$1.3bn 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

a) Overall Impact

According to the PA Ministry of National Economy, Gaza has sustained damages of roughly US\$3 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. An initial Damage Assessment Report by the Coastal Municipalities Water Utility (CMWU) indicates that 12 percent of wells have been destroyed or damaged.³

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 Lahiya Sewage Lake (part of the Northern Gaza Emergency Sewerage Treatment (NGEST) project). Several of the NGEST sites have suffered damages. Limited availability of electricity will limit the pumping of wastewater into the engineered wastewater lagoons. This, coupled with a 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.

c) Energy Sector

² Ma'an, July 22, 2014

³ http://www.unochaopt.org/documents/ocha_opt_sitrep_04_09_2014.pdf

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.⁴

d) Housing Sector

According to UNOCHA⁵, the number of internally displaced people still needing shelter remained at 110,000. At the height of the conflict the number of internally displaced people was unprecedented and was six times the numbers in UN contingency plans⁶. Also according to UNOCHA, 18,000 houses have been totally destroyed or severely damaged as of the end of the cease fire on August 26, 2014, and over 8,800 housing units permanently destroyed. On August 23, 2014, a 13-storey apartment building in Gaza City was completely destroyed by an air strike, displacing at least 40 families.

e) Health and Education Sectors

As a result of the hostilities, 2,131 people have died (of whom at least 1,473 are identified to be civilian and 501 children)⁷, UNOCHA reports that over 11,000 have been injured, many of whom are likely to be permanently disabled. 25 schools have been either entirely destroyed or severely damaged, and the school year was postponed until September 14, 2014, for 500,000 Gaza children. During the conflict, 15 out of 32 hospitals were damaged and six closed as a result.⁸

f) Food Industry

The Palestinian Food Industries Union estimates that Gaza's food industry has suffered damages estimated at around US\$150m, with many factories in inoperable condition. The largest factories that used to provide up to 70% of local market needs were destroyed and will face a slow rebuilding process, as access to construction materials will likely be limited.⁹

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

Immediate efforts following the cease fire have focused on doing an assessment of the damages. A detailed Damage and Needs Assessment to assess the full scope of damages, economic losses and reconstruction needs is underway with PA leadership. A focus on restoring the basic living conditions in Gaza through repairing housing, water, electricity and sanitation services is ongoing. Evidence from the 2012 conflict shows that Gaza's economy could potentially rebound relatively well, but the strength of this rebound will primarily depend on two factors:

⁴ UNOCHA Gaza Emergency Situation Report as of 29 July 2014, 15:00h

⁵ http://www.unochaopt.org/documents/ocha_opt_sitrep_04_09_2014.pdf

⁶ http://www.unochaopt.org/documents/ocha_opt_sitrep_04_09_2014.pdf

⁷ According to UNOCHA (see footnote 6) the Israeli loss of life so far are 67 killed of which 64 soldiers and 3 civilians.

⁸ http://www.unochaopt.org/documents/ocha_opt_sitrep_04_09_2014.pdf

⁹ Ma'an August 8, 2014

- 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.

From the Bank's own resources, an emergency supplemental financing for the latest Development Policy Grant will help finance the PA's additional recurrent expenditures related to the Gaza situation, primarily in the social sectors. In addition, three emergency additional financings are proposed in three sectors where the Bank has experience in Gaza: water, electricity and municipal services.

D. The World Bank in the Palestinian territories

The World Bank Group has an active portfolio in the Palestinian territories with more than US\$900m allocated since 1993 by the World Bank. In addition, the Bank has mobilized more than US\$1.2bn from donors. The Bank's ongoing program of investment operations is in the water and sanitation, energy, solid waste, urban development, social protection, and education sectors. Projects have leveraged nearly four times their amount donor partners' resources. Currently, more than half of the World Bank-funded Palestinian investment operations are in Gaza. The IFC portfolio is US\$161m invested in seven companies. Since 2008, the MIGA trust fund has provided US\$26m in political risk insurance to both foreign and local investors.