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# Gaza war: Expected socioeconomic impacts on the State of Palestine

E/ESCWA/UNDP/2024/Policy brief.2



## Executive summary

One year into the Gaza war, the humanitarian crisis has reached a catastrophic level, with unprecedented casualties, widespread destruction and severe food insecurity. Mass displacement and a scarcity of safe spaces, coupled with Israeli restrictions on aid delivery, have further compounded the crisis.

The war has had a severe impact on critical sectors such as education, healthcare, social services, the economy and the environment. Educational institutions have suffered significant losses, with numerous casualties among students and educators and the widespread destruction of schools. The healthcare system is nearing collapse, facing critical shortages in medical supplies and widespread malnutrition, particularly among children. The provision of social services has been severely curtailed, leaving most people to fend for themselves, while the true impact of the war on the environment remains uncertain and will likely take generations to fully address. Additionally, the escalations in the West Bank including intensified Israeli military operations resulted in significant casualties and destruction to infrastructure and economic losses.

### Gaza war



severe  
impact on

- ▶ education
- ▶ healthcare
- ▶ social services
- ▶ economy
- ▶ environment

Economic projections indicate that the gross domestic product (GDP) of the State of Palestine contracted by 35.1 per cent in 2024 compared with a no-war scenario, with unemployment potentially rising to 49.9 per cent. By the end of 2024, the Human Development Index (HDI) in the State of Palestine may fall to 0.643, a level not seen since HDI calculations began in 2004. The HDI of Gaza is projected to drop to 0.408, erasing over 20 years of progress. The HDI of the West Bank is expected to decline to 0.676, reflecting a loss of 16 years of development. The incursions into the West Bank are likely to further worsen the HDI, especially in a “significant incursions” scenario. Poverty in the State of Palestine is projected to rise to 74.3 per cent in 2024, affecting 4.1 million people, including 2.61 million people who are newly impoverished. Incursions by Israel into the West Bank are expected to further elevate the poverty rate, to 75.0 per cent in the case of a limited incursion and 75.5 per cent in the case of a significant incursion. The war has also severely exacerbated multidimensional poverty, with projections indicating that the Multidimensional Poverty Index (MPI) for the State of Palestine will rise sharply from the 10.2 per cent measured by a household survey conducted in 2017 to an estimated 30.1 per cent in 2024. The most affected dimensions, where all indicators have significantly worsened, include housing conditions, access to services, and safety. The greatest increases in deprivation rates across MPI indicators are observed in freedom of movement, monetary resources, unemployment, access to healthcare and school enrolment. The number of people living in multidimensional poverty has more than doubled during this period, rising from 24.1 per cent to 55.4 per cent at national level.

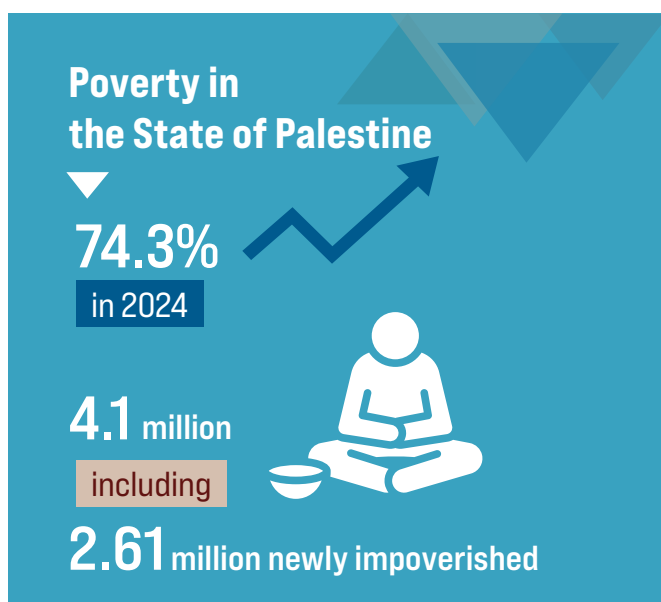
This report presents an analysis of three recovery scenarios in the State of Palestine. Given that the recovery will be a long-term process, we assess both the immediate impact projected for 2025 and the long-term impact anticipated by 2034, a decade after the start of the conflict. This dual analysis provides a comprehensive understanding of the potential pathways and challenges that could shape the socioeconomic recovery of the State of Palestine in the years to come.

**1. No early recovery (NER).** Under this scenario, a strict ban on Palestinian workers persists, and the withholding of “clearance revenues” to the Palestinian Authority (PA) continues, worsening the fiscal crisis. Aid remains unchanged, limiting economic growth to 2 per cent. Under this

scenario, GDP is projected to fall by 20.1 per cent in 2025 and by 34 per cent by 2034 compared with pre-war levels, with multidimensional poverty remaining extremely high. Achieving a permanent ceasefire is expected to decrease the already high unemployment rate by approximately 3 percentage points, allowing it to reach 55 per cent by 2034.

**2. Restricted early recovery (RER).** Under this scenario, the ban on Palestinian workers continues, and clearance revenues are still withheld. While \$280 million in humanitarian aid addresses immediate needs, it does not support long-term economic recovery. Under this scenario, GDP is expected to decline by 19.6 per cent in 2025, with a 33 per cent drop by 2034. Poverty will persist, with only minimal improvements. The decrease in the unemployment rate under this scenario is similar to the NER scenario. Over the next decade, middle-class consumption is expected to fall by 35 per cent.

**3. Non-restricted early recovery (NRER).** Under this scenario, restrictions on Palestinian workers are lifted, and withheld clearance revenues are restored to the PA. In addition to \$280 million in humanitarian aid, \$290 million is allocated annually for recovery efforts. Productivity increases by 1 per cent annually, enabling the economy to recover and realign with its development plan by 2034. This scenario predicts significant improvements in poverty, with more households gaining access to essential services. The unemployment rate is expected to fall significantly, to 26 per cent. Middle-class consumption is expected to fall by 6 per cent.



All economic sectors are projected to suffer significant declines, with the construction sector experiencing declines of 70 per cent, 69 per cent, and 8 per cent in the NER, RER and NRER scenarios respectively. Under the NER and RER scenarios, output levels are likely to fall over time unless urgent development aid is provided. Stabilizing and revitalizing productive sectors is crucial for ensuring sustainable recovery and resilience in the State of Palestine.

This analysis underscores the urgent need for a multifaceted approach to recovery, including humanitarian aid, recovery and reconstruction programmes, improvements in the business climate, and the release of the fiscal clearance mechanism. The NER and RER scenarios reveal the limitations of relying solely on humanitarian aid for the economic recovery

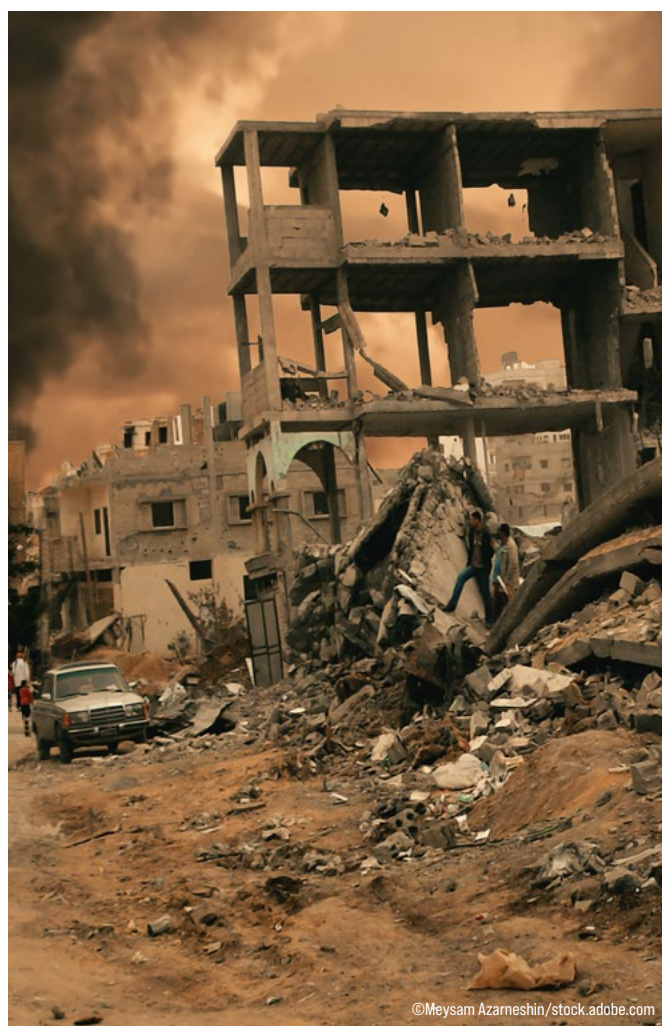
of the State of Palestine. Even if \$280 million in aid were provided each year, the economy would struggle to regain its pre-crisis level within a decade. By contrast, a comprehensive recovery and reconstruction plan, combining humanitarian aid with a strategic investment in recovery and reconstruction along with lifting economic restrictions and promoting recovery-enabling conditions, could help put the Palestinian economy back on a restorative track, aligning with the vision of rebuilding Gaza and creating a foundation for a better future over the next decade.

This is the third edition of the SEIA series, a joint effort between the United Nations Economic and Social Commission for Western Asia (ESCWA) and the United Nations Development Programme (UNDP), alongside other institutions.

## Context

One year has elapsed since the onset of the Gaza war, and the situation continues to deteriorate. Casualties, injuries and humanitarian suffering continue to escalate, with destruction reaching unprecedented levels and famine threatening an increasing proportion of the population. Mass displacement and limited safe spaces, coupled with Israeli restrictions on aid delivery, have further compounded the crisis. The severity of human suffering, particularly among children, is at a historic high. Gaza remains in a state of profound crisis, with no viable resolution in sight.

At the same time, the West Bank has experienced an intensification of violence against Palestinians and their property and infrastructure. This violence reached a new high after Israel launched a large-scale military operation in urban centres in the West Bank, with a focus on refugee camps. The military operation involved both air and ground forces and resulted in significant numbers of casualties and damage to infrastructure, at the highest levels seen since the United Nations started systematically recording information on casualties and destruction in 2005.



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# Section 1: The impact of the Gaza war on the Palestinian people

## » The humanitarian situation

As of September 2024, approximately 3,300,000 Palestinians (2.3 million in Gaza), including 1,554,700 children, were in urgent need of various forms of humanitarian assistance.<sup>1</sup>

### Loss of life and human suffering

By 16 September 2024, at least 41,534 Palestinians had been killed in Gaza, and 96,092 injured.<sup>2</sup> The Palestinian Ministry of Health has published a 649-page document disclosing full details of 34,344 of the 40,738 people who were killed or injured between 7 October 2023 and 31 August 2024. These include 11,355 children and 6,297 women.<sup>3</sup> Many of the injuries suffered by Gaza residents will be life-changing: according to the head of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), “every day in Gaza, 10 children lose one or both legs amid ongoing Israeli bombardment”.<sup>4</sup>

In parallel, since 7 October 2023, the West Bank has also experienced an escalation in violence. Israeli military and security operations in the West Bank have led to substantial civilian casualties, the highest toll recorded since at least 2009. By 30 September 2024, 700 Palestinians, including 160 children, had been killed, and more than 5,750 had been

injured, including 660 children.<sup>5</sup> The number of casualties has increased sharply since 28 August 2024, when Israel launched a military operation in the West Bank.

This escalation in violence has been accompanied by widespread detentions, with over 16,000 Palestinians being detained by Israeli forces by 30 September 2024.<sup>6</sup> These detentions have had a severe socioeconomic impact on families, leading to income loss and increased dependence on humanitarian aid. The psychological toll of these events is also profound, particularly for children exposed to violence and instability.

### Displacement

With 86 per cent of Gaza subject to “evacuation orders”, the 2.1 million Palestinians remaining in Gaza are expected to seek shelter in only 13 per cent of the territory’s land area.<sup>7</sup> Up to 1.9 million people (90 per cent of the population) have been internally displaced, many of them repeatedly (some up to 10 times).<sup>8</sup>

Since 7 October 2023, there has been an increase in the number of Palestinian people displaced in the West Bank. By 25 September 2024, more than 4,450 Palestinians, including about 1,875 children, had been displaced as a result of the destruction of their homes and livelihoods, and 1,628 others had been displaced in the context of incidents involving Israeli settlers. This is more than three times higher than the number of people displaced during the same period before 7 October 2023.<sup>9</sup>

### Food insecurity and malnourishment

The food insecurity situation in Gaza is catastrophic. By 25 June 2024, 96 per cent of the population, or 2.15 million people, faced acute food insecurity (Integrated Food Security Phase Classification (IPC) phase 3 or above), with 495,000 people (22 per cent of the population)<sup>10</sup> experiencing catastrophic levels of food insecurity (IPC phase 5) by September 2024.<sup>11</sup>



By 20 August 2024, according to the World Health Organization (WHO), 165 patients had been admitted to hospitals as a result of severe acute malnutrition.<sup>12</sup> Since 7 October 2024, 34 people have died from malnutrition, most of them children.<sup>13</sup> Hunger and malnutrition among mothers and babies is hugely harmful to children's survival, growth and development. For months, there has been a high risk of famine in the Gaza Strip in the context of the ongoing war and the restriction of humanitarian access.

Across Gaza, 93 per cent of children and 96 per cent of pregnant and breastfeeding women are consuming fewer food groups daily, leading to households skipping meals. As a result, the need for nutrition support is becoming more urgent.<sup>14</sup> Food shortages will also have significant implications for maternal and child health. Food assistance is insufficient to cover the needs of all those affected, with limited availability of commercial goods and high prices leading to poor dietary variety. An assessment conducted by the United Nations Children's Fund (UNICEF) between 19 and 25 July 2024 found that Gaza City markets had no vegetables or fruits as a result of transportation challenges and high costs, exacerbated by the high risk of fresh foods spoiling as a result of prolonged transit periods of trucks at crossings.<sup>15</sup>

A survey carried out by UN Women found that 99 per cent of households with pregnant women were struggling to obtain nutritional products and supplements; 78.4 per cent were unable to take tests to assess their nutritional and health status.<sup>16</sup>

## » Physical capital

The war continues to seriously damage infrastructure and resources that are necessary for survival. By the third quarter of 2024, at least 151,265 structures had been damaged.<sup>17</sup> Approximately 60 per cent of buildings and 57 per cent of agricultural land had been damaged or destroyed, posing a significant risk to the functioning of the food system.<sup>18</sup> The cost of repairing the direct damage to Gaza's infrastructure was estimated to be over \$18.5 billion,<sup>19</sup> equivalent to approximately 97 per cent of the combined GDP (of 2022) of the West Bank and Gaza,<sup>20</sup> emphasizing the critical need for comprehensive and unrestricted aid for recovery.

Considering that the average household in Gaza consisted of 5.5 persons in 2022,<sup>21</sup> and the total number of damaged housing units was 135,142 by late May 2024, it is estimated that 743,281 individuals will remain displaced after the war ends. Experts have warned that such destruction amounts to "domicide," with "more housing and civilian infrastructure has now been destroyed in Gaza as a percentage, compared to any conflict in memory".<sup>22</sup> In May 2024, UNDP and ESCWA estimated that rebuilding Gaza's homes could take until 2040.<sup>23</sup>

Between October 2023 and July 2024, 67 per cent of water and sanitation infrastructure and facilities were damaged or destroyed.<sup>24</sup> This does not take into account the irreparable damage to groundwater quality caused by the release of untreated wastewater and other pollutants, or the health consequences of consuming unsafe water or the lack of access to water for hygiene and sanitation.

In the West Bank, Israeli settlement expansion and military operations led to a marked increase in the destruction of Palestinian infrastructure. Between 7 October 2023 and 16 September 2024, Israeli authorities demolished or confiscated 1,697 Palestinian structures across the West Bank, including over 700 inhabited structures, more than 300 agricultural structures, more than 100 water, sanitation and hygiene structures, and 200 livelihood structures.<sup>25</sup>

## » Human capital

### Education



Education in Gaza is under attack, with experts warning of an intentional effort to comprehensively destroy the Palestinian education system, an action known as "scholasticide".<sup>26</sup> As a result, 625,000 students currently have no access to education. By 25 September 2024, 10,317 students and 416 educational staff had been killed in Gaza, and over 19,119 students and 2,463 educational staff had been injured.<sup>27</sup>

By 31 July 2024, 92.9 per cent of school buildings (524 schools) had sustained damage requiring repairs or full reconstruction.<sup>28</sup> 53.5 per cent of schools primarily used as shelters have been directly hit.

UNICEF has expressed concern that schools are being used by Israeli armed forces as detention/interrogation centres and military bases.<sup>29</sup> This severe damage to the education infrastructure of Gaza and significant losses in its human capital pose a serious threat to future generations. Schools will need to be reconstructed urgently, affected students and staff will need to receive psychological assistance to support them in the process of recovering.

In the West Bank, including East Jerusalem, by September 2024, 782,000 children were at risk of losing their school year amid increased attacks on schools and education. Between 8 and 20 per cent of schools were closed on any given day since October 2023. Also, 58 schools are subject to partial or full demolition orders.<sup>30</sup> Furthermore, face-to-face education in schools was limited to two days per week from January 2024 to June 2024.<sup>31</sup>

Even when schools are open, the fear of violence, movement restrictions and mental health concerns have led many students to skip school, leading to more learning loss. By the end of August 2024, there had been 69 attacks on

schools and 2,354 incidents of violence affecting students and staff,<sup>32</sup> in which 67 students were killed, 367 injured and 159 arrested, further disrupting the education system.<sup>33</sup>

Worsening economic conditions have exacerbated this situation. A total of 29 per cent of Palestinian households reported reducing education expenditure, and 7 per cent had begun to send their children to work instead of to school. Palestinian teachers have also been significantly affected, with 6.2 months of salary unpaid since October 2023.<sup>34</sup>

## Health

The health sector has not been spared: by 25 September 2024, 986 health workers in Gaza had been killed.<sup>35</sup> By 30 June 2024, 310 medical staff from medical facilities across Gaza had been taken into custody by the Israeli army.<sup>36</sup>

By 22 July 2024, at least 492 attacks on health infrastructure had been recorded by WHO, affecting 109 health facilities, including 32 hospitals and 114 ambulances,<sup>37</sup> and by 25 September, only 57 out of 132 primary healthcare centres (43 per cent) were partially functional.<sup>38</sup>

Infectious diseases are projected to be the largest cause of excess death in Gaza, including under the best-case scenario of an early permanent ceasefire. Cholera, measles, polio and meningococcal meningitis pose the greatest threats. Even if the war ended immediately, the time required to restore functioning health services would still result in thousands of excess deaths.<sup>39</sup> Lack of access to clean drinking water and sanitation facilities creates significant health risks for all, and can exacerbate the situation.

Restrictions on medical imports and aids have only worsened the situation. Stocks of medicines and medical items are very low, with up to 60 per cent of medicines either fully depleted or available in very low quantities.<sup>40</sup>

Women and girls tend to be disproportionately affected by limited access to healthcare. In Gaza, more than 500,000 women of reproductive age have no access to essential services including antenatal care, postnatal care, family planning and management of



sexually transmitted infections,<sup>41</sup> making them increasingly vulnerable to serious and life-threatening health complications during and after pregnancy and birth. Furthermore, women reportedly suffer from higher rates of diabetes than men and were twice as likely to suffer from hypertension.<sup>42</sup>

For those with chronic diseases and the most severely injured, medical evacuation is almost non-existent. Vaccination coverage in Gaza has now dropped to 86 per cent as a result of the “decimation of the health system, lack of security, destruction of infrastructure, mass displacement and shortage of medical supplies”,<sup>43</sup> with a resurgence of communicable diseases that were once unusual, such as polio and hepatitis A.<sup>44</sup>

In the West Bank, fragmentation of territory and discriminatory zoning and planning policies and procedures implemented by Israel have a harmful effect on the delivery of healthcare, particularly for more vulnerable communities. WHO documented more than 600 attacks on healthcare in the West Bank by Israeli security forces or settlers between 7 October 2023 and

18 September 2024, in which 25 people were killed, 109 injured, and 56 health facilities and 427 ambulances damaged.<sup>45</sup>

## » Environment

Five of the six solid waste management facilities in Gaza are damaged. By April 2024, over 270,000 tons of solid waste remained uncollected across the territory.<sup>46</sup> Families are now burning garbage, wood and plastic as a result of a lack of cooking gas, which has made air quality in Gaza worse. Fires and burning fuel stores caused by the war have exacerbated the situation further. As a result of the closure of the five wastewater treatment facilities in Gaza, sewage has contaminated beaches, coastal aquifers and sources of fresh water. Soil has been polluted with a variety of contaminants including microplastics and dangerous chemicals. Sewage contamination poses short and long-term risks to the health of Palestinians in Gaza, marine life, groundwater and arable land.<sup>47</sup>

The exact amount and types of toxins affecting the environment in Gaza have yet to be identified. However, people are already suffering from pollution and the effects of war-related damage to environmental management systems. Sanitation and water supplies have collapsed. Damage continues to be caused to essential infrastructure. Coastal areas, soil and ecosystems have been severely affected. Munitions containing heavy metals and explosive chemicals deployed in Gaza are contaminating soil and water and posing health risks, particularly to children, and will continue to do so long after the hostilities have ended.<sup>48</sup>

The war has generated 42 million tons of debris, posing significant risks to human health and the ecosystem. Proper protocols must be followed when handling human remains buried beneath debris, unexploded ordnance, hazardous substances and various types of waste. The destruction of solar panels is also expected to release lead and other heavy metals, posing a further risk to Gaza’s soil and water.<sup>49</sup>

Additionally, recent research has estimated that the emissions from the first 60 days of the



war exceed the emissions from 20 individual countries and territories.<sup>50</sup> Now, after a year of war, the wider environmental damage caused by greenhouse gas emissions is notable.

## » Financial sector

The financial sector in Gaza is also facing severe challenges. The value of the Gaza banking portfolio is around \$1 billion, and the territory's microfinance sector is worth around \$54 million. The Palestine Monetary Authority (PMA) has implemented a loan moratorium until September 2024, though the impact on capital adequacy and liquidity has been significant. Direct losses experienced by financial sector facilities in Gaza

are estimated at over \$14 million, in addition to the overall impact of the worsening economic conditions on the banking portfolio.<sup>51</sup> There are also concerns about the recovery of cash available in Gaza before the war. To address cash shortages, the PMA introduced cost-free instant payments, offline United States dollar transaction capabilities, and electronic Know Your Customer procedures in May 2024,<sup>52</sup> but liquidity issues and access to financial services persist. The banking system's exposure to the public sector remains high, exceeding \$2.5 billion in July 2024. The rising percentage of returned cheques – reaching 9 per cent of the value of all cheques<sup>53</sup> in the first quarter of 2024, and up to 25 per cent in some cases – indicates a growing macrofinancial risk profile.<sup>54</sup>

## Section 2: Estimation of the economic impact of the war

Assuming a ceasefire after 12 months of war, the economic and social situation is evaluated using a Computable General Equilibrium (CGE) model calibrated with the 2018 Palestinian Social Accounting Matrix (SAM), alongside a poverty simulator and an HDI simulator. While the use of a CGE model comes with certain limitations and uncertainties, its ability to integrate complex interactions between productive sectors, private and public demand, and fiscal policy enables it to effectively capture the primary mechanisms through which the war impacts the Palestinian economy.

## » Macroeconomic impacts

Like in previous versions of this report,<sup>55</sup> the potential outcomes of the ongoing war are based on four key hypotheses derived from developments observed since the start of the war. First, the decline in economic activity in Gaza and the West Bank is expected to lead to a decrease in total factor productivity, with the decline continuing during the war. Second, it is assumed that 60 per cent of the productive capital of Gaza was lost in 2023, with further destruction expected if the war continues. Reducing productive capacity each additional month beyond three months could result in the destruction of 1.6 per cent of Gaza's remaining capital stock.

Third, it is projected that the Government of the State of Palestine will collect only 50 per cent of its fiscal clearance revenue in 2024 as a result of changes in the fiscal clearance mechanism. Fourth, the movement of labour between the occupied Palestinian territory and Israel, halted during the war, is expected to partially resume after the war, despite efforts by Israel to substitute Palestinian workers with labour from other countries. Fifth, two scenarios are simulated to estimate the economic impacts of incursions in the West Bank. The first assumes a limited incursion affecting Jenin, Tubas and Tulkarem, which represent around 23 per cent of the West Bank's economic activity (table 1). The second scenario involves a larger incursion reaching Nablus and Qalqiliya a region that represents an additional 20 per cent of economic activities in the West Bank, further expanding the affected area. Both incursions are expected to reduce economic activity by 40 per cent in the affected areas.

These projections suggest that the real GDP of the State of Palestine will decline by 8.7 per cent in 2023 (equivalent to \$1.7 billion) and by 35.1 per cent in 2024 (equivalent to \$7.1 billion) compared with a no-war scenario,<sup>56</sup> indicating a profound contraction in economic activity (table 2). This decline reflects widespread disruption to all sectors of the economy, severely hampering production, investment and



**Table 1.** Number of establishments in the State of Palestine by governorate, 2017

Governorate name	Number of establishments	Percentage
Jenin	13,729	13
Tubas and Northern Valleys	1,965	2
Tulkarm	7,953	8
Nablus	17,113	16
Qalqilya	4,409	4
Salfit	2,986	3
Ramallah and Al-Bireh	15,850	15
Jericho and the Valleys	1,509	1
Jerusalem	5,559	5
Bethlehem	9,031	9
Hebron	23,716	23
North Gaza	8,670	13
Gaza	19,449	2
Deir al-Balah	6,748	8
Khan Younis	9,062	16
Rafah	6,173	4
<b>Total</b>	<b>153,922</b>	<b>100</b>

**Source:** PBS: Enterprise survey 2017.

overall economic stability. The 40-day incursion into the West Bank is projected to cause an additional 0.7 per cent decline in GDP if military operations do not affect Tulkarm and Nablus, and an additional 0.5 per cent decline in GDP for 2024 if they do, bringing the total GDP contraction to 36.3 per cent.

Capital destruction, economic contraction and reductions in population movement will lead to a dramatic increase in unemployment. The unemployment rate in the occupied Palestinian territory is expected to more than double, rising from 25.7 per cent in 2022 to 36.5 per cent in 2023 and 49.9 per cent in 2024, suggesting a significant increase in joblessness. This surge in unemployment will exacerbate already difficult socioeconomic conditions, leading to higher poverty rates and increased strain on social services.

Israeli military operations in the West Bank are expected to increase the unemployment rate by an additional 0.4 percentage points, bringing the total to 50.3 per cent. This decline is mirrored across all household income groups, indicating widespread economic distress. Household consumption

could be 16.4 per cent lower in 2023 than under a no-war scenario, and 37 per cent lower in 2024. The consumption of the poorest households is expected to drop by 9.3 per cent in 2023 and 13.7 per cent in 2024, while median households will see a much sharper decline, from 18.3 per cent to 41.4 per cent. Even the richest households are not spared, with their consumption projected to decrease by 17.2 per cent in 2023 and 40.5 per cent in 2024. The incursion in the West Bank is expected to further deteriorate the economic situation, causing an additional 0.5 per cent decline in overall local consumption, leading to a total reduction of 37.5 per cent. This impact varies across income groups, with middle-income and wealthier households facing further reductions of 0.6 per cent and 0.8 per cent respectively, resulting in total consumption drops of 42 per cent and 41.3 per cent. In contrast, the poorest households are affected by the same percentage decline across all scenarios (table 2).

The GDP of the West Bank contracted by 19 per cent during the last quarter of 2023, reversing earlier economic growth. This has been attributed to increased trade restrictions,

violence and infrastructure damage.<sup>57</sup> By early 2024, unemployment in the West Bank had soared to 32 per cent, with approximately 306,000 jobs lost during the period.<sup>58</sup> This has been further exacerbated by the cancellation of permits to enter and work in Israel and East Jerusalem, depriving many families of their incomes. As a consequence, daily income losses have reached an estimated \$25.5 million, reflecting the sharp decline in economic activity.<sup>59</sup>

The economic contraction and the loss of job opportunities have led to a significant reduction in households' consumption, which was 16.4 per cent lower in 2023 than it would have been in a no-war scenario, and 37 per cent lower in 2024. This decline is mirrored across all household income groups, indicating widespread economic distress. The consumption of the poorest households is expected to drop by 9.3 per cent in 2023 and 13.7 per cent in 2024, while median households will experience a much sharper decline, from 18.3 per cent to 41.4 per cent. Even the richest households are not spared, with their consumption projected to decrease by 17.2 per cent in 2023 and 40.5 per cent in 2024.<sup>60</sup>



**Table 2.** Impact on main macroeconomic variables, 2023–2024 (Percentage)

	2023	The Gaza war	Gaza war+ limited incursion into the West Bank	Gaza war significant incursion into the West Bank
<b>Real GDP (relative variation to the baseline)</b>	-8.7	-35.1	-35.8	-36.3
<b>Unemployment rate (level)</b>	36.5	49.9	50.1	50.3
<b>Local consumption (relative variation to the baseline)</b>	-16.4	-37.0	-37.3	-37.5
<b>Poorest households' consumption (relative variation to the baseline)</b>	-9.3	-13.7	-13.7	-13.7
<b>Median households' consumption (relative variation to the baseline)</b>	-18.3	-41.4	-41.8	-42.0
<b>Richest households' consumption (relative variation to the baseline)</b>	-17.2	-40.5	-41.0	-41.3

**Source:** Estimates based on the CGE model simulations by ESCWA and calculations by UNDP economists. Estimates are subject to change once more data become available.

These figures underscore the widespread and deepening economic hardships faced by all segments of the population, with middle-income households experiencing the most significant relative decline in consumption. Sharp reductions in consumption across the board highlight the loss of purchasing power and deteriorating living standards, further entrenching economic disparities and social inequalities.

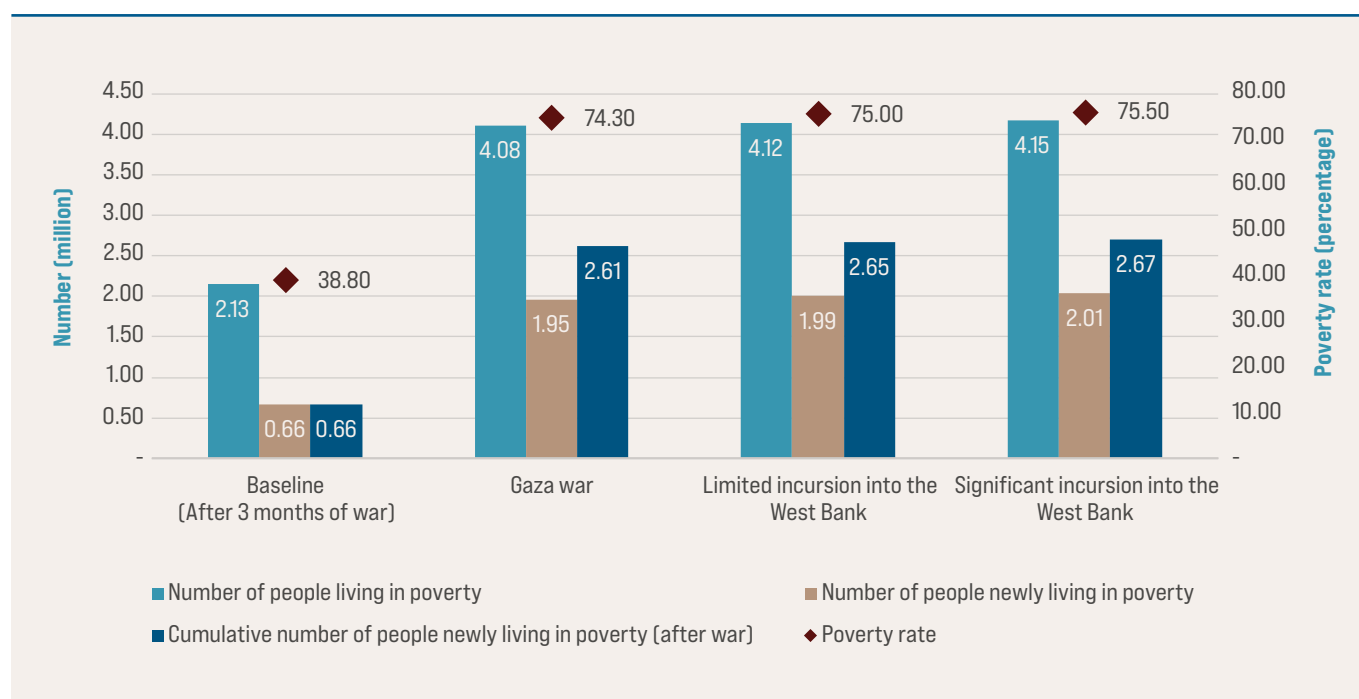
## » Impact on poverty

As a result of the war, primary poverty metrics are expected to rise significantly. Using the international poverty line, which is suitable for estimating poverty in high income countries (i.e. \$6.85 PPP per capita per day), the incidence of poverty in the State of Palestine is estimated to reach 74.3 per cent in 2024, up from 38.8 per cent at the end of 2023, bringing the total number of poor people to 4.1 million. Of these, 2.61 million people are newly poor. A limited incursion and a significant incursion to the West Bank, are expected to raise the poverty rate to 75.0 per cent and 75.5 per cent respectively. The poverty rate across the three scenarios of the scope of the war, together with the

associated number of poor people, are highlighted in figure 1.

Based on the latest nationally representative data from the pre-war 2023 Palestinian Expenditure and Consumption Survey, the poverty rate in Gaza was 63.7 per cent.<sup>61</sup> The most recent official pre-war estimate of multidimensional poverty was 45.1 per cent in 2017. As a result of the destruction of social and economic infrastructure, the MPI<sup>62</sup> and the number of people living in multidimensional poverty are expected to more than double (table 3). Even if the poverty cut-off is raised from 1/3 to 1/2 (where an individual is considered to be living in poverty if they experience deprivations in at least half of the 22 weighted indicators), the poverty figures are still high. The results presented below are estimates for a post-war scenario, assuming the cessation of hostilities and direct occupation in Gaza. The ongoing war has severely reduced economic activity, resulting in widespread poverty which affects various aspects of people's lives. This includes access to utilities, housing conditions, and opportunities for health and education. A noticeable difference can be observed when comparing the indicator-specific deprivation rates from 2017 with the projected estimates for an immediate post-war scenario (table 3).

**Figure 1.** Impact on money metric poverty



**Source:** ESCWA analysis based on the level of poverty according to the international poverty line of \$6.85 (2017 PPP per capita per day).

**Table 3.** Main poverty metric (Gaza pre-war, post-war)

Poverty statistics	Baseline 2016–2017 (Poverty cut-off 1/3)	Aftermath of 2023–2024 war (Poverty cut-off 1/3) <sup>a</sup>	Aftermath of 2023–2024 war (Poverty cut-off 1/2)
Proportion of population living in poverty	45.1%	97.9%	82.8%
Poverty intensity <sup>b</sup>	43.3%	60.6%	63.6%
MPI	19.5%	59.3%	52.6%
Indicator-specific deprivation rates (proportion of Gaza population who are deprived in each indicator)			
Dimensions	Indicators <sup>c</sup>	2016–2017	2023–2024
Housing conditions and access to services	Ventilation problems in dwelling	39.10%	80%
	Overcrowding	42.11%	80%
	Frequency of water and electricity supply	31.77%	95%
	Access to piped water	3.32%	75%
Employment	Unemployment	15.57%	80%
Safety and use of assets	Theft or damage to property	10.68%	70%
	Ownership and use of assets	1.82%	80%
	Interpersonal and State violence	63.16%	70%
Personal freedom	Freedom of movement	8.90%	60%
Health	Chronic disease	10.39%	12%
	Disability	18.97%	30%
	Health access	1.13%	70%
Education	School enrolment	13.87%	70%
Monetary resources (Social expenditure)	Monetary poverty	53.00%	90%

**Note:** Regarding income poverty, 90 per cent is used instead of 100 per cent because it is assumed that some citizens will still have access to money, and that their expenditure will either match or exceed the daily poverty threshold once the war stops. Using the latest macro-level measurements of the war's impact on various sectors, as outlined in previous sections, estimates have been made of the specific deprivation shocks for certain MPI indicators – particularly those directly affected by the war. These include the cessation of services, asset damage, job and income loss, service interruptions, harm to individuals, and threats to freedom of movement and safety. The results of this measurement are likely to underestimate the multidimensional deprivations experienced, as the normative assumptions of the MPI, established in 2017, focused on access to needs rather than the quality of services.

<sup>a</sup> A person is identified as “multidimensionally poor” if he or she is deprived in 33 per cent of the weighted indicators and is identified as in “severe multidimensional poverty” if he or she is deprived in 50 per cent of indicators.

<sup>b</sup> The intensity of poverty is the average percentage of indicators (out of a total of 22) in which multidimensionally poor people are deprived.

<sup>c</sup> For a detailed definition of each MPI-defined indicator in the State of Palestine, please refer to the following study: <https://www.mppn.org/multidimensional-poverty-profile-in-palestine/>.

As clearly outlined in earlier sections, the current spread of war to other geographical areas in the occupied Palestinian territory, specifically the West Bank, has significantly

affected multidimensional poverty. In the absence of an updated survey, the indicator-specific shocks have been estimated at the aggregate level for the West Bank.

**Table 4. Main poverty metric (State of Palestine pre-war, post-war)**

Poverty statistics	Baseline 2016–2017 (Poverty cut-off 1/3)	Aftermath of 2023–2024 war (Poverty cut-off 1/3) <sup>a</sup>	Aftermath of 2023–2024 war (Poverty cut-off 1/2)
Proportion of population living in poverty	24.1%	55.4%	33.7%
Poverty intensity <sup>b</sup>	42.4%	54.4%	63.2%
MPI	10.2%	30.1%	21.31%
Indicator-specific deprivation rates (proportion of Gaza population who are deprived in each indicator)			
Dimensions	Indicators <sup>c</sup>	2016–2017	2023–2024
Housing conditions and access to services	Ventilation problems in dwelling	34.77%	49.37%
	Overcrowding	2.97%	36.25%
	Frequency of water and electricity supply	15.48%	39.76%
	Access to piped water	5.22%	33.08%
Employment	Unemployment	11.07%	52.73%
Safety and use of assets	Theft or damage to property	8.85%	34.50%
	Ownership and use of assets	2.97%	36.25%
	Interpersonal and State violence	36.48%	38.88%
Personal freedom	Freedom of movement	7.50%	38.79%
Health	Chronic disease	9.85%	10.53%
	Disability	14.25%	18.43%
	Health access	2.72%	29.53%
Education	School enrolment	13.36%	35.16%
Monetary resources (social expenditure)	Monetary poverty	29.26%	59.23%

<sup>a</sup> A person is identified as “multidimensionally poor” if he or she is deprived in 33 per cent of the weighted indicators and is identified as in “severe multidimensional poverty” if he or she is deprived in 50 per cent of indicators.

<sup>b</sup> The intensity of poverty is the average percentage of indicators (out of a total of 22) in which multidimensionally poor people are deprived.

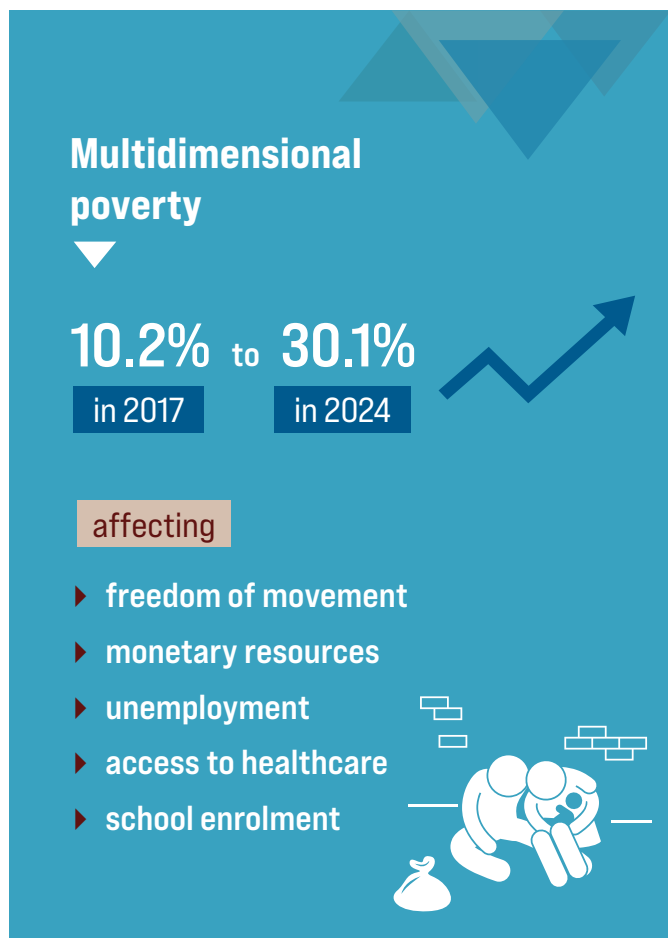
<sup>c</sup> For a detailed definition of each MPI-defined indicator in the State of Palestine, please refer to the following study: <https://www.mppn.org/multidimensional-poverty-profile-in-palestine/>.

The current war has led to a marked increase in deprivation rates across various dimensions. Personal freedom has declined significantly as a result of the rise in the number of checkpoints, while safety has been compromised by the loss of land and

homes through confiscation or demolition in 2024.<sup>63</sup>

While the situation in the West Bank has not escalated into a full-scale war, it is estimated that the number of people living in multidimensional poverty has nearly tripled from 2017 to 2024, rising from 10.2 per cent to 30.1 per cent.

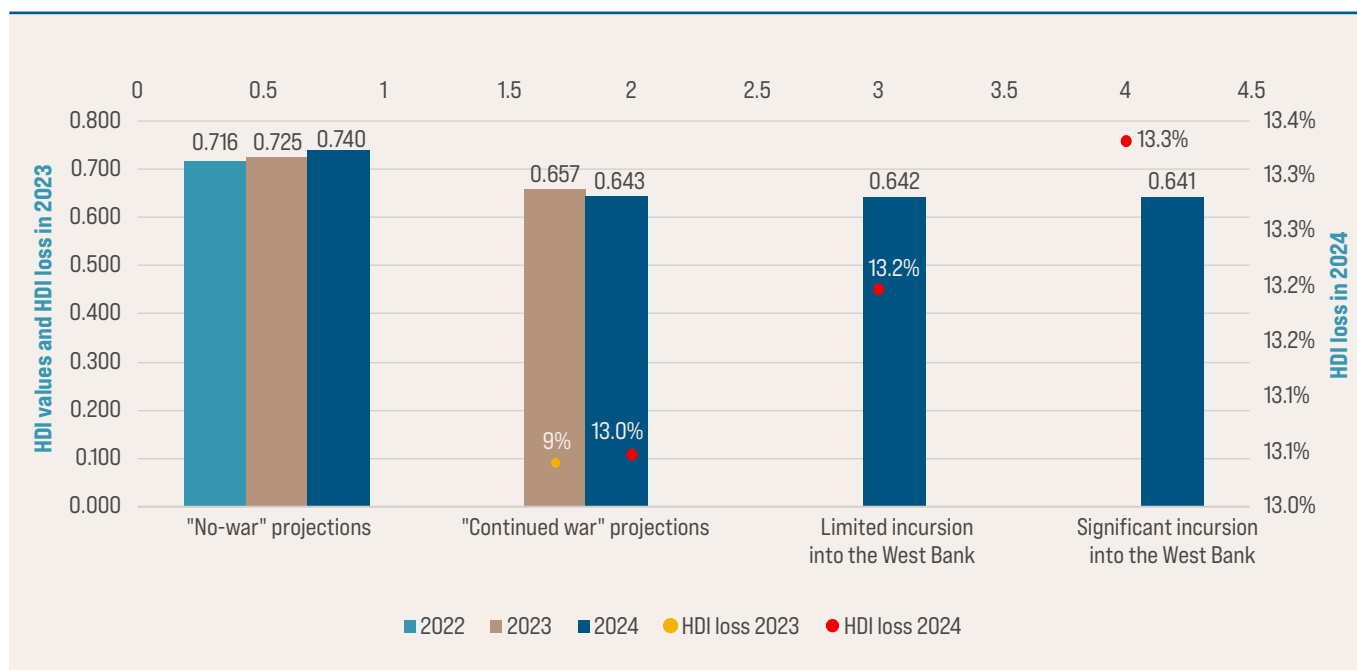
Across the entire occupied Palestinian territory, the war has driven the number of people living in multidimensional poverty up to 55 per cent. The dimensions most affected – where all indicators have significantly worsened – include housing conditions and access to services, as well as safety. Among the indicators, the greatest increases in deprivation rates are seen in freedom of movement, monetary resources, unemployment, access to healthcare and school enrolment (table 4).



## » Impact on the Human Development Index

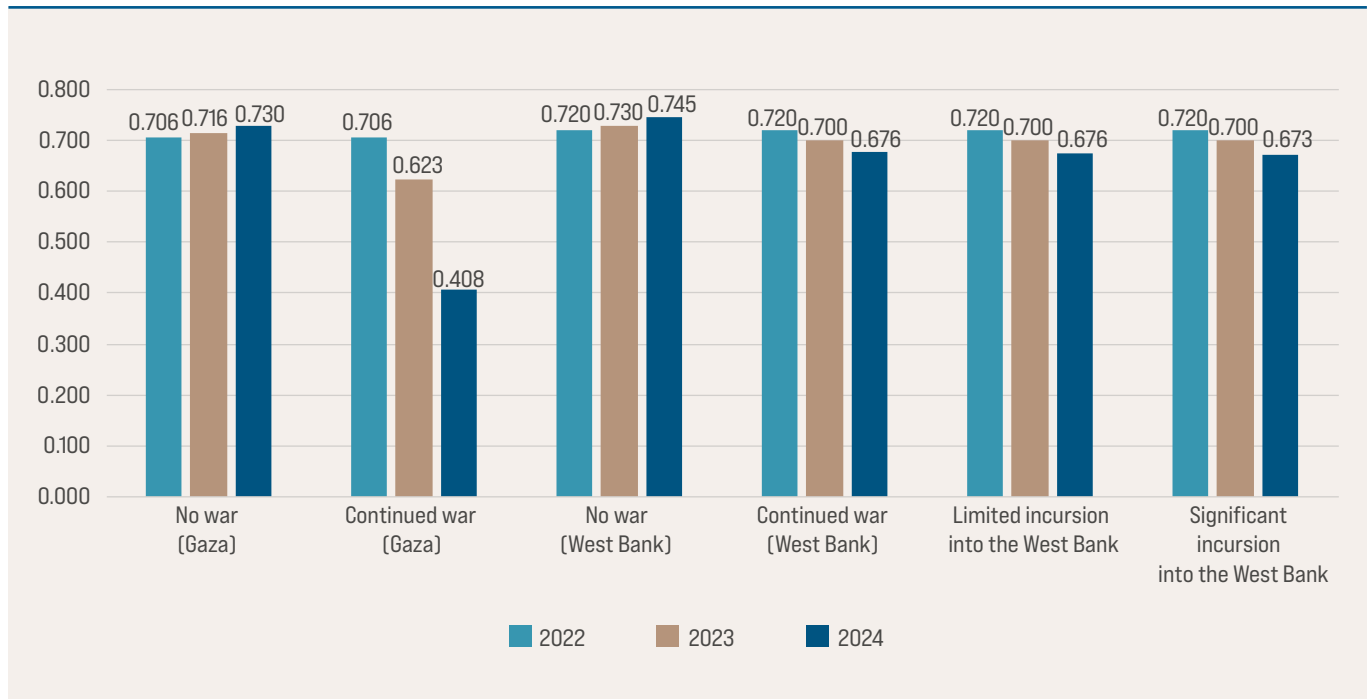
Using Human Development Report Office (HDRO) data for the period up to 2022, we projected HDI values for the State of Palestine for 2023 and 2024 under

**Figure 2. Impact on HDI**



Source: ESCWA/UNDP simulation based on data from the human development report. <https://hdr.undp.org/data-center>.

**Figure 3. HDI values in the West Bank and Gaza**



**Source:** ESCWA/UNDP simulation based on data from the human development report. <https://hdr.undp.org/data-center>, and data retrieved from the Subnational HDI Database of the Global Data Lab. <https://globaldatalab.org/shdi/>, version 7.0. Aggregated data for the West Bank and Gaza are population weighted.

two scenarios: “no war” (baseline) and “continued war”. Furthermore, as in the previous section, we have included two additional scenarios to reflect the impact of the incursion into the West Bank. In the “no-war” scenario, HDI was expected to grow following pre-COVID trends. In the “continued war” scenario, life expectancy, schooling and per capita gross national income (GNI) were all projected to decline significantly. By 2024, the HDI in the “continued war” scenario was projected to fall to 0.643, 13 per cent less than under the “no-war” scenario, reaching levels not seen since HDI calculations began in 2004 (figure 2).<sup>64</sup> The incursion into the West Bank is projected to have further negative effects on the HDI, lowering it to 0.642 in the “limited incursion” scenario and 0.641 in the “significant incursion” scenario (figure 2). In Gaza, the HDI was projected to fall to 0.408 by 2024, reaching levels never observed since HDI calculations began in 2004,<sup>65</sup> while in the West Bank, it was projected to fall to 0.676, a loss of 16 years of development (figure 3).<sup>66</sup> The incursion into the West Bank is expected to have a further negative impact on the region’s HDI, particularly in the “significant incursion” scenario, as shown in figure 3.



## Section 3: Estimation of prospects for early recovery

To assess the possible prospects for recovery, we have made estimations based on three scenarios. Under the first scenario, no international support is available, and there is no improvement in the fiscal, trade and business climate. Under the second scenario, only humanitarian support is forthcoming; there is no improvement in the fiscal, trade and business climate. Under the third scenario, international support is made available in sufficient quantities for humanitarian and early recovery, and there are significant improvements in the fiscal, trade and business climate.

**“No early recovery” scenario (NER):** Israel continues to enforce a strict ban on Palestinian workers entering its territory. The funds that Israel transfers each month to the PA, known as “clearance revenues”, continue to be withheld,<sup>67</sup> exacerbating the PA’s fiscal crisis. Aid remains at current levels. The business climate remains stagnant, and the Palestinian economy will not recover at a better rate than its long-term productivity pattern, estimated by the International Monetary Fund (IMF) to be 2 per cent.

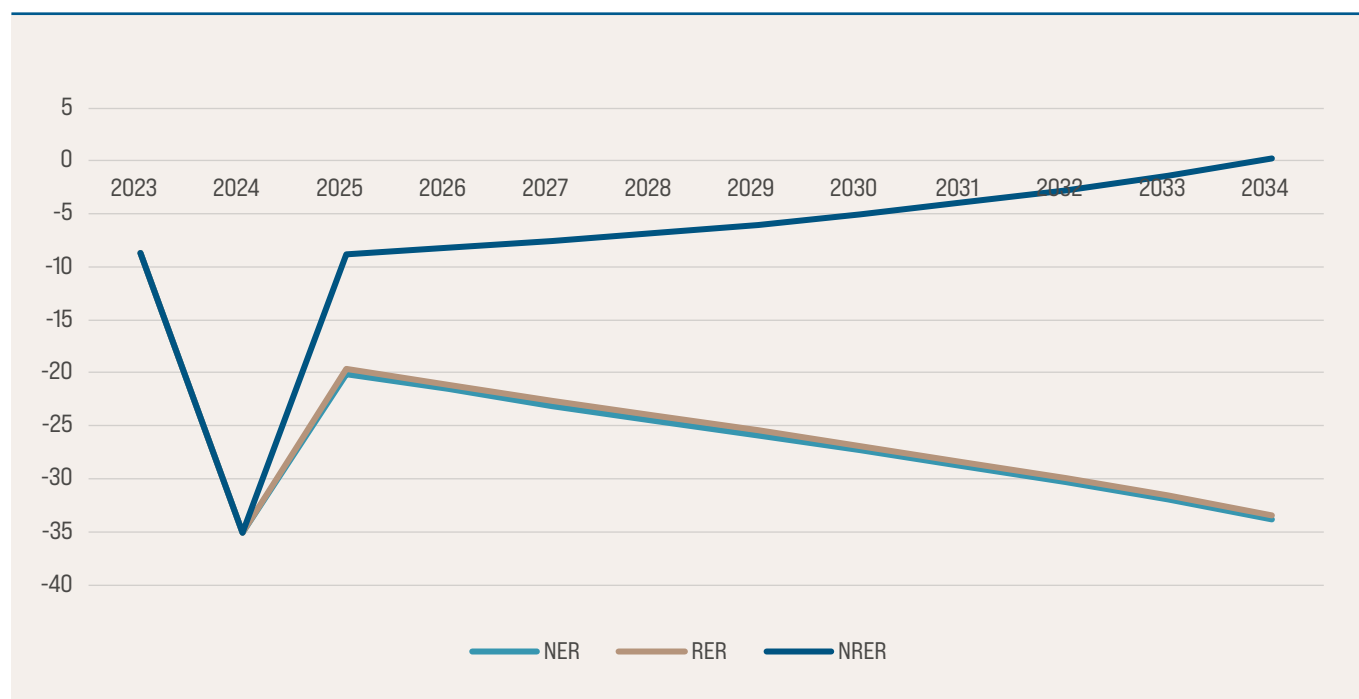
### “Restricted early recovery” scenario (RER):

The ban on Palestinian workers entering Israel remains, limiting employment opportunities and income sources for many families. Clearance revenues continue to be withheld, straining the financial capacity of the PA. An annual humanitarian aid package of \$280 million is provided. This aid addresses immediate humanitarian needs, including food, healthcare and basic services, but falls short of supporting broader economic recovery and development. There is no improvement in the business climate.

### “Non-restricted early recovery” scenario (NRER):

In this scenario, restrictions on the movement of Palestinian workers are lifted, allowing thousands to seek employment in Israel, thereby improving household incomes. The clearance mechanism is restored, and previously withheld funds are transferred to the PA, providing a much-needed fiscal boost. In addition to the \$280 million of humanitarian aid simulated in the RER scenario, additional support to the value of \$290 million is provided annually to support longer-term

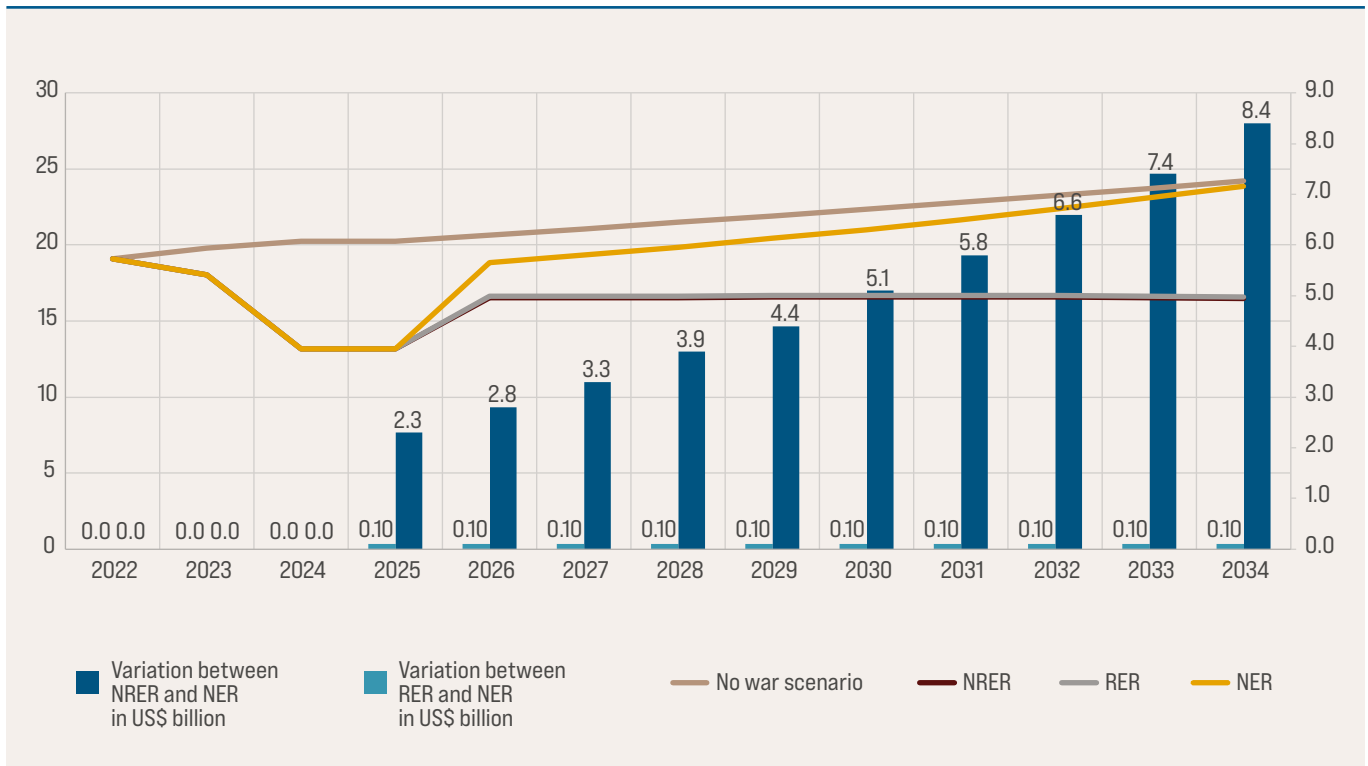
**Figure 4.** Impact on the real GDP growth 2023–2034 (Variation compared with the “no-war” scenario)



**Source:** Estimates based on CGE model simulations by ESCWA, and calculations by UNDP economists. Estimates are subject to change once more data become available.



**Figure 5. Projected real GDP in billions of dollars**



**Source:** Estimates based on CGE model simulations by ESCWA, and calculations by UNDP economists. Estimates are subject to change once more data become available.

recovery and development projects. The business climate improves significantly; productivity begins to increase by 1 per cent per year, reflecting steady positive change.

Simulations show that a permanent ceasefire will have a positive impact on the Palestinian economy in all cases, even in the absence of additional measures. However, in nearly all scenarios, the extensive damage caused by the war means that real GDP is expected to remain below levels projected before the war for at least the next decade (figure 4). The long-term economic setbacks inflicted by the war will require substantial recovery efforts and sustained economic interventions to overcome. After experiencing a significant decline in GDP of 35.05 per cent in 2024, the projected GDP changes for 2025, following a permanent ceasefire, are expected to be -20.1 per cent, -19.6 per cent and -8.8 per cent under the NER, RER and NRER scenarios respectively (figure 4).

In the long term, GDP is expected to worsen annually under the NER and RER scenarios. By 2034, GDP is projected to decrease by 34 per cent and 33 per cent respectively compared with pre-war levels. Limiting humanitarian aid

will have minimal impact, as it contributes only 0.4 per cent to GDP per year. Most products will be imported, and there will be a negligible spillover effect of 0.33 per cent. A true recovery for the Palestinian economy requires a blend of humanitarian aid, reconstruction programmes, improvements in the business climate and the release of the fiscal clearance mechanism. The NRER scenario, on the other hand, is projected to gradually close the GDP gap with the no-war scenario. Under these conditions, the Palestinian economy could recover by 2034. This analysis underscores a crucial point: relying solely on humanitarian aid is insufficient to catalyse the economic recovery of the State of Palestine. This point is illustrated by the “RER” scenario, where humanitarian assistance focuses exclusively on household consumption, resulting in marginal to negligible economic benefits. Conversely, in the “NRER” scenario, which includes aid directed towards infrastructure investments essential for long-term development and economic revitalization, the dynamics are markedly different. Here, significant improvements are anticipated, including growth in real GDP, which is indispensable for achieving sustainable economic recovery in the long term (figure 5).

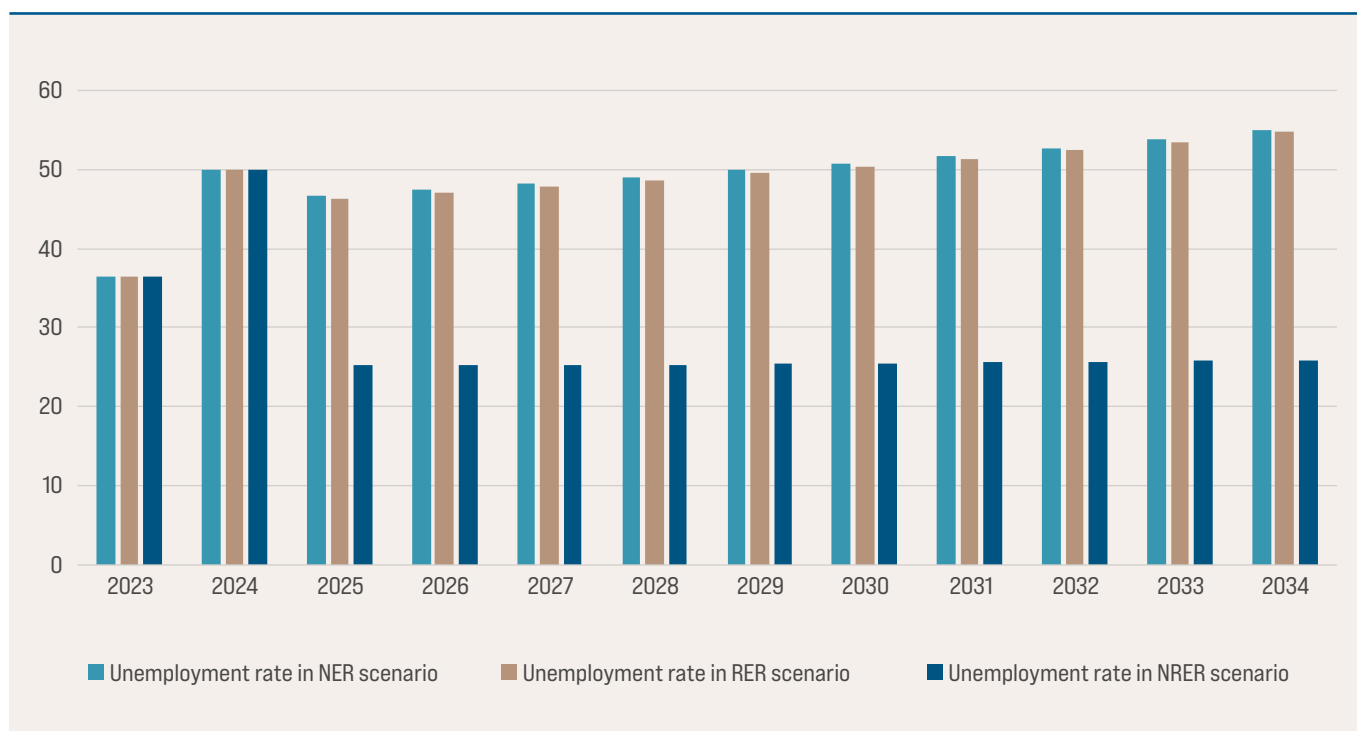
Stopping the Gaza war alone is expected to decrease the unemployment rate in the State of Palestine by approximately 3 percentage points (figure 6). However, without eliminating all restrictions on workers' movements and streamlining clearance mechanisms, the unemployment rate is projected to remain high, reaching 55 per cent by 2034. In contrast, the NRER scenario which includes these crucial changes could lead to a significant reduction of 29 percentage points in the unemployment rate, lowering it to 26 per cent across all Palestinian territory.

Regarding the long-term impacts on real household consumption, all household categories are projected to experience negative effects under all scenarios (figure 7). Both the NER and RER scenarios are likely to involve substantial declines in household consumption. The middle class is expected to be the most severely affected, with a significant proportion of people falling into poverty. Over the next decade, the net cumulative impact on the real consumption of the middle class is estimated to be a reduction of 36 per cent, 35 per cent and 6 per cent in the NER, RER and NRER scenarios respectively.

Even a decade after the cessation of hostilities, the real consumption levels of both the middle class and the wealthiest households are expected to remain significantly affected. However, resuming workforce mobility and improving clearance mechanisms, as well as providing humanitarian aid and investing in infrastructure development, are likely to mitigate the decline in real consumption.



**Figure 6. Labour market impact 2023–2034 (Percentage points)**



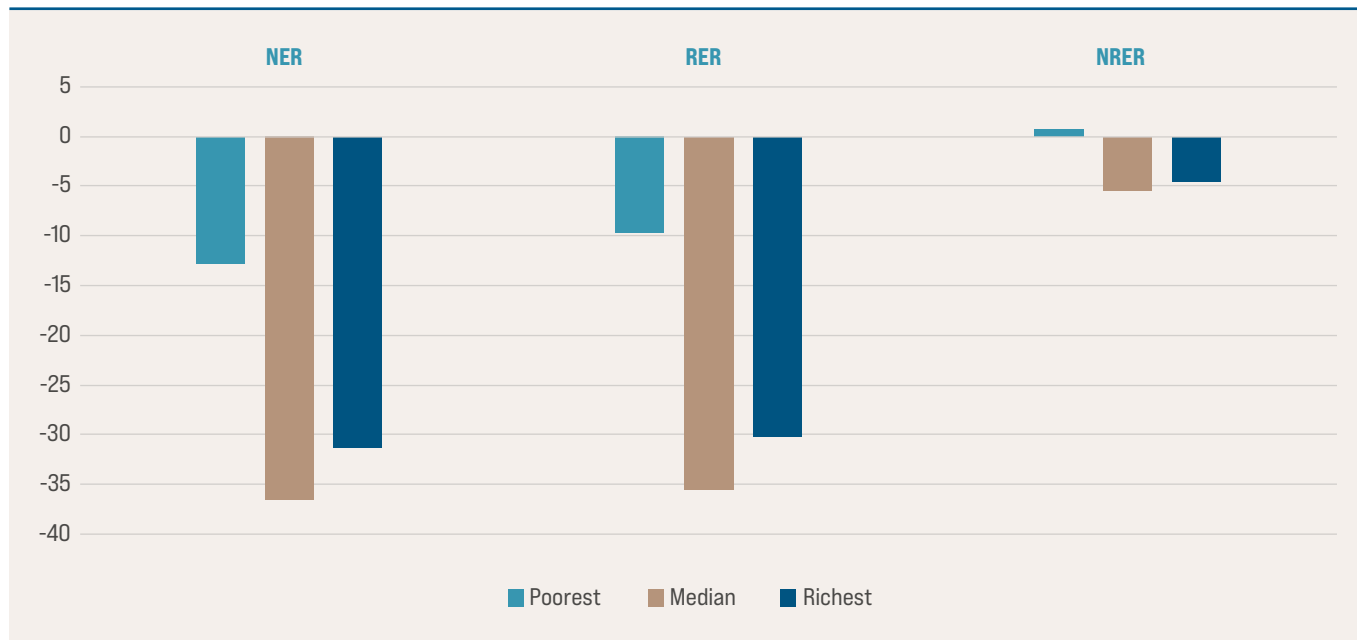
**Source:** Estimates based on CGE model simulations by ESCWA, and calculations by UNDP economists. Estimates are subject to change once more data become available.

These actions are crucial for stabilizing and eventually improving economic conditions for all household categories.

The output of all economic sectors is projected to be severely impaired (figure 8). The construction sector is expected to face the steepest decline, with reductions of 70 per cent, 69 per cent and 8 per cent in the NER, RER and NRER scenarios respectively.

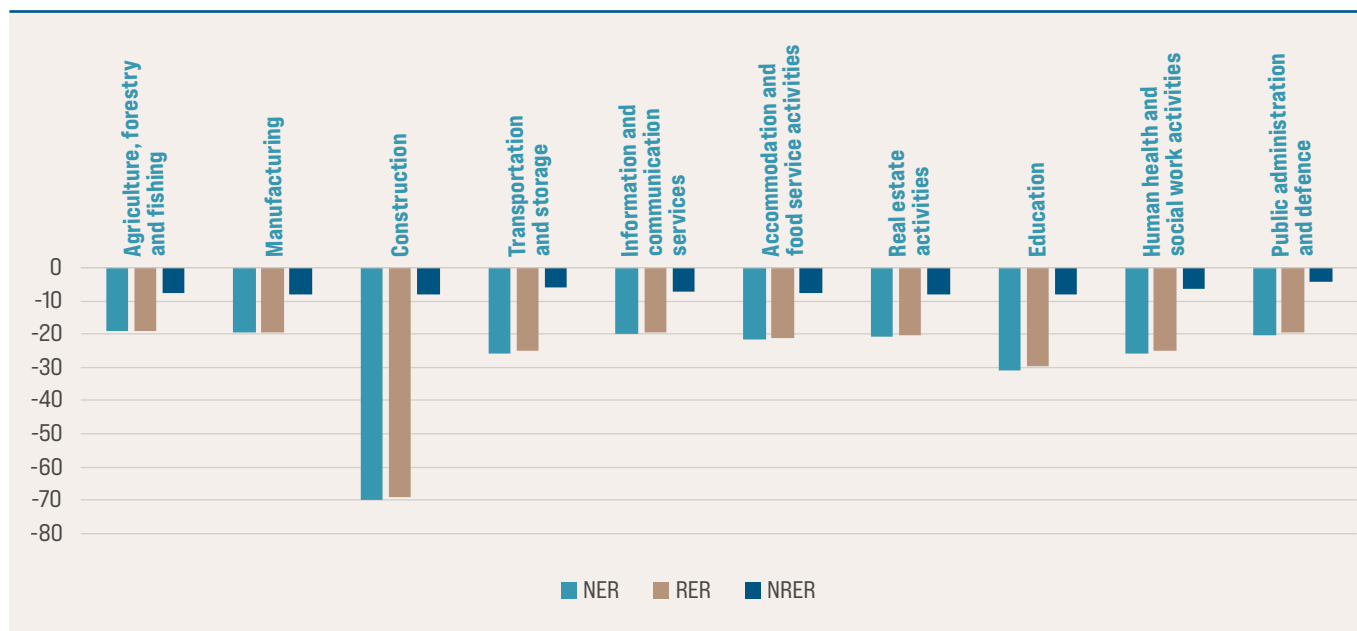
The NER and RER scenarios are characterized by significant declines in output levels, with the situation expected to deteriorate further over time. Without urgent intervention in the form of development aid, sectoral production is likely to worsen year by year, exacerbating economic challenges and hindering recovery efforts. Development aid is essential to stabilize and eventually revitalize these critical sectors, ensuring sustainable growth and development.

**Figure 7. Cumulative impacts on real household consumption 2023–2034 (Variation in per cent)**



**Source:** Estimates based on CGE model simulations by ESCWA, and calculations from UNDP economists. Estimates are subject to change once more data become available.

**Figure 8. Cumulative sectoral impacts 2023–2034 (Variation in percentage)**



**Source:** Estimates based on CGE model simulations by ESCWA, and calculations by UNDP economists. Estimates are subject to change once more data become available.

## Section 4: Moving forward: early recovery scenarios

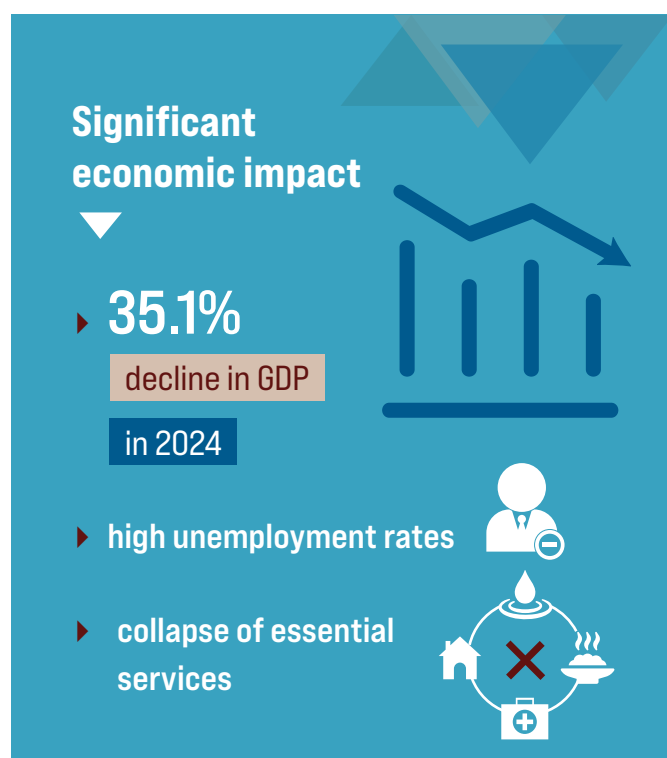
After 12 months of continuous war in Gaza, the situation remains critical, with widespread destruction, unprecedented humanitarian suffering and severe economic collapse. The war has inflicted immense damage on the region's infrastructure, education, health and the environment, leaving the population in a state of profound crisis. The economic impact has been significant, with a projected 35.1 per cent decline in GDP for 2024, high unemployment rates, and the near-total collapse of essential services.

Coordinated planning efforts in the occupied Palestinian territory have focused on aligning humanitarian and early recovery initiatives, ensuring they complement the recovery strategies of the PA. The planning carried out by the PA focuses on life-saving measures, infrastructure rehabilitation, and restoring services across the social, economic and governance sectors. The Humanitarian Country Team (HCT) issued a Flash Appeal to address immediate humanitarian needs, while the United Nations Country Team (UNCT) is simultaneously working on a tripartite basis (work being carried out in this respect by the World Bank, the European

Union and the United Nations) to devise a plan for recovery and reconstruction. As part of this work, a Rapid Damage and Needs Assessment is being planned, and a Conflict Recovery Framework is being created. These efforts will guide the PA in implementing its own recovery, reconstruction, and development plan for Gaza, ensuring a coherent, Palestinian-led approach to addressing evolving needs and challenges in the occupied Palestinian territory.

While these processes are underway, the UNCT and HCT have developed a joint approach for early recovery that bridges urgent humanitarian needs and longer-term recovery and reconstruction. This approach can be implemented if conditions on the ground permit, even before a formal ceasefire.<sup>68</sup> This approach to early recovery emphasizes alignment with PA recovery planning, local engagement, capacity-building and inclusivity, aiming to reduce dependency on aid and promote resilient, self-sustaining communities. The aim of recovery should be to rebuild Gaza – not only restoring what has been lost, but also creating a foundation for a better future. The all-of-Palestine approach is a key principle, ensuring that recovery initiatives in Gaza are linked with those in the West Bank, using regional resources and expertise. This principle will ensure that both areas are comprehensively addressed, and that the distinct needs of different genders, communities and geographic locations are taken into account, in addition to promoting empowerment and equitable access to resources.

While some limited early recovery activities are already underway, fully scaling up a recovery and reconstruction process cannot occur without a cessation of hostilities and the creation of an enabling environment. Reaching an agreement for an immediate ceasefire leading to a lasting sustainable one is an urgent and critical first step. And for recovery to lead to durable and lasting outcomes, achieving a just and enduring peace is critical. As the United Nations Secretary-General has stated, “[t]he right of the Palestinian people to build their own



fully independent State must be recognized by all. [...] The two-State solution is the only way to address the legitimate aspirations of both Israelis and Palestinians, [and] it remains the only way to achieve durable and equitable peace in Israel, in the State of Palestine and in the region.”<sup>69</sup>

Early recovery approaches should incorporate development principles into humanitarian relief, focusing on immediate needs while laying the groundwork for sustainable recovery and coherence between different actors. For early recovery to be effective, key conditions must be met, including security, political stability, access to essential services and adequate donor funding. These conditions are crucial to support recovery efforts that can eventually lead to a sustainable and peaceful future.

Simulations in this assessment show that the Palestinian economy may be able to reach its pre-war level – even if it may take up to 10 years – if recovery plans expand beyond humanitarian support to include support for the reconstruction of destroyed capital, if stifling economic restrictions are lifted, and if the business climate is improved.

The Palestinian Government requires critical support and strengthening of its institutions to effectively govern and lead recovery and reconstruction efforts in the State of Palestine. Although a political settlement for future governance remains unclear, immediate efforts should focus on involving technical expertise in providing essential services at local level. Inclusive recovery planning by different actors must align with the strategies and human rights obligations of the State of Palestine, while prioritizing community engagement to mitigate tensions stemming from displacements and resource allocation.

## » Essential conditions for recovery

The UNCT and HCT have identified essential conditions for scaling up early recovery efforts in Gaza, which include ensuring security

and freedom of movement, establishing a political framework that promotes Palestinian ownership led by the PA, and providing minimum essential services such as water, electricity and telecommunications. These efforts are critical given the severe restrictions imposed by Israel since Hamas's takeover in 2007, which have significantly hampered the movement of goods and people, worsening the humanitarian crisis. Additionally, the increased military operations and movement restrictions in the West Bank, even before the war, have further disrupted the socioeconomic conditions for the Palestinian people. The closure of border crossings in Gaza by Israel has led to limitations on essential supplies, including medical and construction materials, necessary for recovery. In the first half of 2022, the volume of goods entering Gaza was approximately 30 per cent lower than pre-closure levels, despite a 50 per cent increase in the population. The



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current stringent security checks and limited operational crossings have resulted in slow and unpredictable delivery of relief supplies, with trucks often facing delays of two to three weeks.<sup>70</sup> Continued restrictions in the occupied Palestinian territory could lead to increased unemployment and poverty, further complicating economic revitalization.

This is further reflected in the impact analysis of the “RER” and “NRER” scenarios. The “RER” scenario could result in minimal socioeconomic benefits, while the “NRER” scenario could lead to significant improvements that may help put the Palestinian GDP back on track. Therefore, as part of lifting the restriction to allow efficient recovery investments, it is vital to broaden the importer and distributor base, streamline import procedures, and support the private sector in the West Bank to restore its links with Gaza. Without lifting these restrictions, recovery and rebuilding after the ongoing war will face substantial obstacles, risking prolonged shortages of housing, medical services and essential infrastructure.

### Prioritization and optimization of resource allocation



Building the capacity of Palestinian institutions for recovery and reconstruction, reconnecting Gaza and the West Bank, empowering civil society groups, supporting micro, small and medium enterprises (MSMEs), mobilizing international and private sector sources of early recovery financing, and building on existing self-help networks are crucial elements for recovery. To this end, prioritization and optimization of resource allocation should consider the four main objectives of the UNCT and HCT early recovery approach:

1. Early restoration of jobs and revitalization of access to livelihoods, employment opportunities, and markets for goods and services, along with a functioning private sector and value chains.
2. Early restoration of access to basic socioeconomic services and social protection mechanisms, enabled by risk managed and progressive debris removal and disposal, as well as explosive ordnance clearance.

3. Scale up access to protection services, preserve social cohesion, and promote early restoration of human rights-based governance, justice and rule of law systems.
4. Remedy the war’s impact on the environment and cultural capital through early interventions to protect and restore food systems, land and water resources, as well as cultural resources and capacities.

The Palestine Ministry of Social Development, in collaboration with the League of Arab States and ESCWA, launched the National Strategy to Reduce Multidimensional Poverty (2023–2030) in 2023.<sup>71</sup> The goal is to reduce the MPI to 5.5 per cent by 2030, representing a 5-percentage-point decrease from its pre-crisis level of 10.2 per cent in 2017, as shown in table 4. However, this target is challenging to achieve, especially given the ongoing war and the severe damage inflicted on the economy and the social well-being of individuals across the entire occupied Palestinian territory.

In planning interventions to address these deprivations, the State of Palestine must consider several key factors: the significance of each indicator, the depth of poverty (measured by the number of deprivations per household), available resources and other relevant considerations. A central assumption regarding State intervention is its ability to effectively target specific households. The State needs to evaluate whether it can concentrate its resources on the most deprived and multidimensionally poor households, or if it lacks this capacity. It is acknowledged that resource targeting can be imprecise at various levels, potentially resulting in resources being spread too thinly across all deprived households within the targeted population. Consequently, only a subset of deprived and multidimensionally poor households may be lifted out of deprivation and multidimensional poverty.

Multidimensionally poor households can transition from poor to non-poor when one or more of their indicators change from deprived to non-deprived. In contrast, multidimensionally poor households may see changes in one or more indicators but remain multidimensionally poor overall.

Finally, non-multidimensionally-poor households remain classified as such, although they may also experience some indicators shifting from deprived to non-deprived.

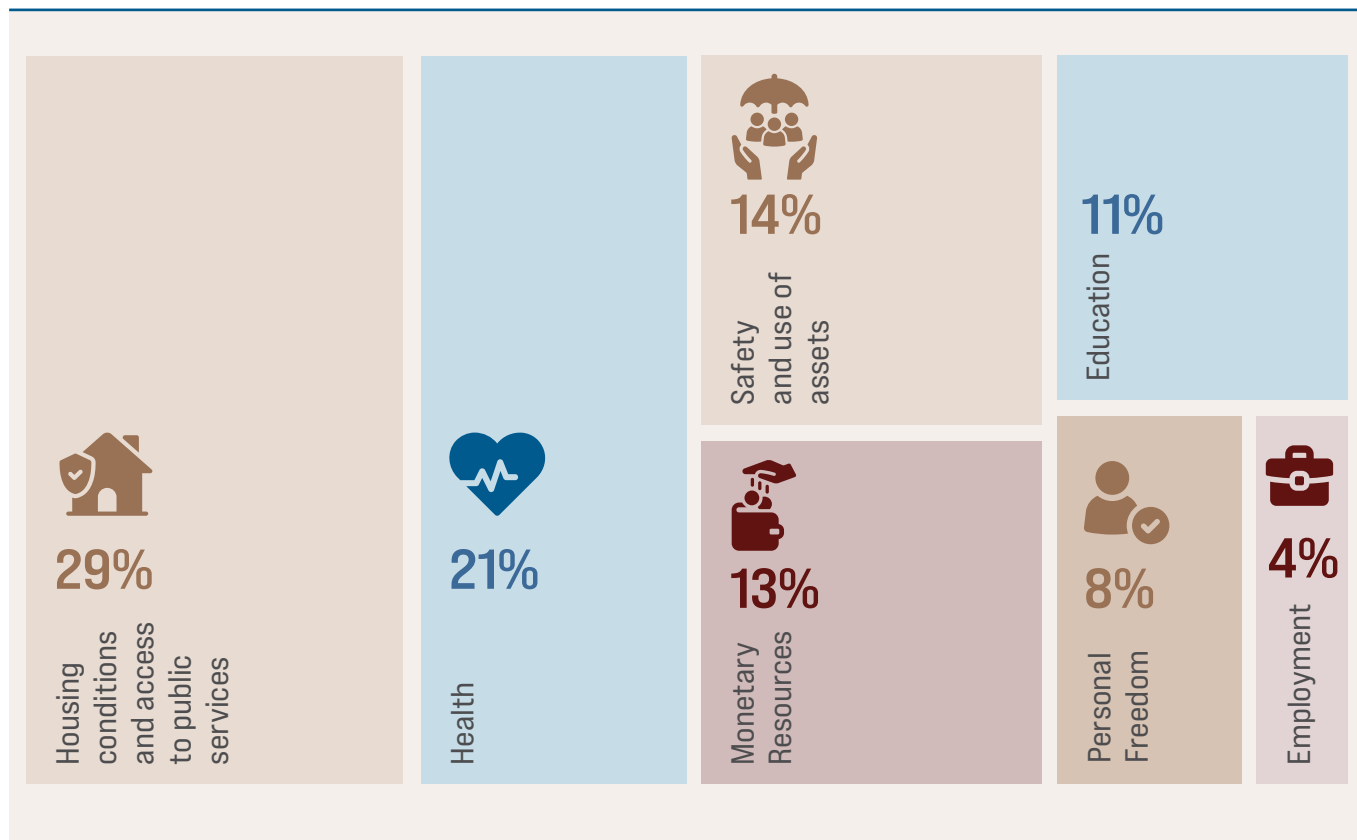
As well as the assumptions regarding the imprecise targeting ability of the State (including both exclusion and inclusion errors), additional assumptions on public expenditure efficiency need to be estimated. Ideally, public budgets are intended to allocate resources effectively to meet community needs, prioritizing essential welfare services over profitability. In addition to considering the cost and demand for goods and services, budgets consider factors such as social welfare, equity and economic impact. Analysing data<sup>72</sup> collected and compiled by ESCWA on public expenditure for Jordan and Egypt, we can see how much of the annual budget is being spent on items such as social expenditure, interest payments, housing, health and education in recent years.

Considering all the technical assumptions of the models, the normative assumptions

of the MPI, the results from section 2, and the objective of achieving pre-crisis levels of the MPI, we applied an optimization routine for Gaza. This allows us to visualize the optimal resource allocation across the MPI dimensions, as shown in figure 9.

Given resource scarcity, recovery plans will have to optimize resource allocations to maximize impact (figure 9). Priority may have to be given to the “housing and access to public services” dimension such as water and electricity to ensure universal access. The health sector should be the next focus, improving access to clinics and hospitals. Re-establishing private ownership and reconstructing demolished homes, businesses and agricultural land will also be crucial, along with prioritizing education and school enrolment. While pre-war income poverty in Gaza was already moderate, the recovery should have a multidimensional focus on infrastructure, housing and education, rather than simply providing monetary transfers to restore pre-war conditions.

**Figure 9.** Optimal resource allocation across MPI dimensions



Source: ESCWA estimates.

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19. ILO and PCBS, 2024.
20. World Bank, 2024.
21. PCBS, 2023.
22. OHCHR, 2024b.
23. UNDP and ESCWA, 2024.
24. WHO, 2024a.
25. OCHA, 2024e.
26. OHCHR, 2024c.
27. OCHA, 2024f.
28. UNICEF, 2024c.
29. OCHA, 2024g.
30. UNICEF, Handicap International and World Vision, 2024.

31. Ibid.
32. UNICEF, 2024d.
33. UNICEF, Handicap International and World Vision, 2024.
34. Ibid.
35. OCHA, 2024f.
36. Ibid.
37. OCHA, 2024c.
38. OCHA, 2024f.
39. LSHTM, 2024.
40. UNRWA, 2024a.
41. WHO, 2024a.
42. UN Women, 2024.
43. OCHA, 2024c.
44. WHO, 2024c.
45. WHO, 2024d.
46. UNRWA, 2024b.
47. UNEP, 2024.
48. Ibid.
49. Ibid.
50. Neimark, B. and others, 2024.
51. World Bank Group, 2024a.
52. Palestine Monetary Authority, 2024.
53. The pre-war average was 4–5 per cent per quarter.
54. World Bank Group, 2024a.
55. UNDP, 2023.
56. UNDP and ESCWA, 2024.
57. UNCTAD, 2024.
58. Ibid.
59. Ibid.
60. According to the International Labour Organization (ILO), by the end of May 2024, 87.2 per cent of households in the West Bank had reported a decrease in income. Closures of businesses, particularly in East Jerusalem, have further weakened the economy, with 80 per cent of businesses in the Old City ceasing operations. In all, 98.8 per cent of businesses in the West Bank had been adversely affected by the war in Gaza, facing operational and financial challenges. Of these, 65.3 per cent had reduced their workforce permanently or temporarily, while 73.3 per cent had cut employee working hours to manage costs.

61. World Bank Group, 2024b.
62. The Multidimensional Poverty Index framework has been adopted officially in Palestine. For details, see <https://www.mppn.org/multidimensional-poverty-profile-in-palestine/>.
63. Recent figures from ILO suggest that unemployment rates have risen sharply, resulting in a substantial loss of jobs, which has directly affected income levels for many, not just the unemployed. In fact, 87.2 per cent of households in the West Bank have reported a decrease in income. However, other dimensions, such as health and education, have not been directly affected by the recent incursions into the West Bank.
64. While data on the HDI are not available before 2004, a linear backward extrapolation exercise indicates that HDI would regress to 2000 levels, representing a setback of 24 years of progress.
65. While data on HDI are not available before 2004, a backward extrapolation exercise indicates that HDI in Gaza will regress by 69 years (to June 1955 levels).
66. Using linear interpolation, 0.676 would have been reached in early January 2008.
67. According to a report by the Palestine Economic Policy Research Institute, the PA receives less than 43.1 per cent of its clearance revenue entitlements on average, and these are subject to delays.
68. [https://unsco.unmissions.org/sites/default/files/unct-hct\\_early\\_recovery\\_approach\\_and\\_action\\_plan\\_for\\_gaza\\_-\\_september\\_2024\\_-\\_ahlc.pdf](https://unsco.unmissions.org/sites/default/files/unct-hct_early_recovery_approach_and_action_plan_for_gaza_-_september_2024_-_ahlc.pdf).
69. Statement by the Secretary-General to the Security Council, 23 January 2024. Available at <https://press.un.org/en/2024/sgsm22113.doc.htm>.
70. ACAPS, 2024.
71. Palestine Ministry of Social Development, n.d.
72. Ministry of Finance, "Expenses by functional classification and overview", for various years (2022/2023). The data are compiled based on the ESCWA SEM methodology. The data are budget estimates as actual expenditures are not available. The real series is constructed by deflating the nominal series by the Consumer Price Index, using 2019 as a base year (source: IMF DataMapper). Data for the State of Palestine are currently not available.



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