

## **A Vision for Regional – International Partnership for Gaza Rebuilding and Palestinian Economic Leap\***

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### **A. Introduction**

The immense extent of destruction in the Gaza Strip caused by the 2023-2024 Gaza War, requires massive rebuilding. This paper sets a vision of a long-term economic rebuilding plan, which is aimed at ending the humanitarian crisis and creating a functioning and sustainable economy.<sup>1</sup> The rebuilding of the Gazan economy, and the Palestinian economy at large, should be planned and designed as part of an international-regional political and economic vision of stabilizing, strengthening and improving Israeli-Palestinian and Israeli-Arab relations, in the broader context of strengthening stability and prosperity in the Middle East.

We use the term “rebuilding” to emphasize that the proposed plan is not just to reconstruct what was destroyed. Instead, **rebuilding Gaza is a part of an Economic Leap Plan (ELP)**. Namely, a comprehensive plan aiming to achieve fast growth and sustainable prosperity for Gaza and Palestine, which would lead to social resilience and long-term stability. It is not just reconstruction but building back better. This includes game-changing regional cooperation initiatives that the EU, US, Saudi Arabia, and the UAE have already been working on before the war, including normalization between Israel and Saudi Arabia, the India-Middle East-Europe Corridor (IMEC) initiative, the Green-Blue prosperity 2.0 project,<sup>2</sup> other EU and US initiatives, and bold regional economic cooperation processes promoted by Saudi Arabia and the UAE.

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<sup>1</sup> This paper concentrates on the economic development aspects and will not deal much with the humanitarian ones. For humanitarian aspects see Mitvim Institute [Recommendations for Essential Infrastructure and Health in the Gaza Strip](#), especially part C. Some estimates that the reconstruction of Gaza may take decades (see for instance [Planning the post-war reconstruction and recovery of Gaza, UN News](#)). In our view, implementation of the plan, as proposed here, will enable shifting from reconstruction to the Economic Leap Plan (ELP) phase in the third year of implementing the Rebuilding and ELP; while the ELP can be designed as a ten-year plan.

<sup>2</sup> EcoPeace’s [“Green-Blue Deal for the Middle East”](#) (2020) was published in several phases. The mentioned publication can be referred to as version 1.0. Version 2.0 connect to the IMEC vision (forthcoming).

We relate to a political scenario in which the US, the EU and the Arab pragmatic countries (Egypt, Jordan, and the Arab Gulf countries) work in coordination regarding the day after the war, under which Hamas is defeated militarily and no longer rules the Gaza Strip, and a revitalized Palestinian Authority (PA) gradually takes over and rules both the Gaza Strip and the West Bank in agreement with Israel.

The paper sketches initial answers to several questions regarding the rebuilding of Gaza: (1) Who will invest in the rebuilding? Under which political preconditions? (2) How to rebuild? The paper outlines the development of three economic concentric circles: the Gazan, the Palestinian and the regional, in the immediate and longer terms. (3) Due to the high political precondition threshold and the huge costs of rebuilding demanded, this paper also deals with the alternative costs of not engaging in rebuilding. It asks what would be the price of not using this crisis as an opportunity for putting the region on a path of stabilization.

## **B. Payers as players: who will support and invest in the rebuilding?**

The rebuilding plan will be designed as a joint initiative led by three central parties: the US, the EU, and especially by the group of Arab pragmatic countries which have formal relations with Israel - Egypt, and Jordan - and the Arab Gulf countries (either jointly through the GCC or Saudi Arabia and the UAE individually), alongside the revitalized PA. Israel too will be a player (as well as a payer). The UN and its agencies are not a direct financial resource, but a key operational and organizational player.<sup>3</sup>

The main payers would also be players, in the sense of having a place around the (outer) Israeli-Palestinian negotiation table, as mediators or incentivisers, presenting political, economic, and security incentives.

## **C. Political preconditions to the rebuilding of the Gaza Strip**

**Physical and economic rebuilding, political stabilization, conflict resolution, and better governance are inter-connected.** Security and stability are two preconditions for successful rebuilding. All the above payers-players, except for the current government of Israel, agree that a principled agreement on a two-state solution is a necessary precondition.

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<sup>3</sup> As of May 2024, the UN leads the international emergency aid operation, with the UN Senior Humanitarian and Reconstruction Coordinator, Sigrid Kaag, at the driver's seat of this operation (See UN coordinator in Gaza announces new plan to deliver lifesaving aid, UN News). UN agencies, especially UNRWA, will continue to play a key role in the immediate support and rebuilding activities. Obviously other payers should be involved, among them different contributing countries and International Financial Institutions as the World Bank, other regional investment banks as the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Islamic Development Bank (IsDB) and others.

As early as November 2023, the US and the EU were aligned regarding five **basic preconditions** for a long-term sustainable plan for the day after the war in Gaza. First, no displacement of Palestinians from Gaza. Second, no terror from Gaza (nor from the West Bank or violent settlers): Hamas and other terror organizations can no longer hold military power nor govern the Gaza Strip. Third, no Israeli long-term occupation in Gaza, the territory of which will not decrease. Fourth, a revitalized PA as the governing body both in the West Bank and in the Gaza Strip as one territorial unit. Fifth, no economic siege of the Gaza Strip.<sup>4</sup>

Regarding the fourth point, so far, it is unclear what exactly the term “revitalized PA” means. Suggestions deal with reinstating the PA’s democratic legitimacy, enhancing its capabilities in providing security (including fighting against terror directed at Israel), and dealing with alleged corruption.<sup>5</sup> In addition, a revitalized PA would be enhancing, and improving the quality, scope, and efficiency of public services.<sup>6</sup> The first step towards such revitalization of the PA has been the formation of a new Palestinian government under Dr. Mohammad Mustafa, though his nomination was criticized by the US government.<sup>7</sup> A “Salam Fayyad” spirit of reforms is expected to have positive economic implications.

The President of the European Commission, Ursula Von Der Leyen elaborated on the fifth economic point, saying that “Any future Palestinian State must be viable, also from an economic point of view. And Europe stands ready to work with all people and countries in this region to make this happen”.<sup>8</sup>

US President, Joe Biden, referred to the general vision of regional interconnectedness:

“... a set of substantial commitments that would help both Israel and the Palestinian territories *better integrate* into the broader Middle East. That is also the idea behind the innovative *economic corridor* that will connect India to Europe through the United Arab Emirates, Saudi Arabia, Jordan, and Israel... Better regional connection – including physical and economic infrastructure – supports higher employment and more opportunities for young people”.<sup>9</sup>

These five points are necessary and essential, but they are insufficient. Successful and lasting rebuilding of Gaza along with revitalizing the Palestinian economy would necessitate **massive long-**

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<sup>4</sup> These preconditions were repeatedly stated by the most senior EU and US position holders. President of the European Commission, Ursula von der Leyen, [presented](#) them on November 6. Secretary of State, Anthony Blinken, [elaborated](#) on them on November 8. Borrell [repeated](#) them on November 13, adding Arab states involvement in the political solution leading to building the Palestinian state. US President, Joe Biden, referred to them in an [article](#) in the Washington Post on 18 November. They have been repeated since.

<sup>5</sup> The PA published a reform plan by the end of January 2024. See Jack Khouri, “[Following the American Pressures](#) the Palestinian government announced a general reform in the PA,” Haaretz, 29 January 2024 (Hebrew). See also Nathan Brown and Sanaa Alsarghali, “[Why an Interim Constitution Could Help Palestine: The Domestic and International Payoffs](#),” Carnegie, 8 April 2024.

<sup>6</sup> For suggested reforms to the PA, see Yohanan Tzoreff (2024), “[What is a Revitalized Palestinian Authority](#)” Mitvim Institute.

<sup>7</sup> Jack Khouri “[PA President Mahmoud Abbas Tasks Mohammad Mustafa](#) With Forming New Palestinian Government”, Haaretz, 14 March 2024 (Hebrew).

<sup>8</sup> See f.n. 4. There have not been many elaborated new references by the EU to how the economic model of a future Palestinian State should be designed.

<sup>9</sup> See f.n. 4.

**term financial support** and political commitment of the key players and payers. However, the EU and the US are already financially overstretched due to their assistance to Ukraine. Passing such a resolution may encounter domestic political difficulties, therefore one should not assume their contribution is a given.

The Arab Gulf countries **condition** their support, demanding of Israel and the Palestinians **further political commitments** for the funding. Unlike previous rounds of escalation with Hamas, the payers want political assurances that their investment in the rebuilding of Gaza would not be destroyed by yet another military operation. **The payment for the rebuilding of Gaza is therefore inextricably linked to a political pathway, and clear milestones that lead towards permanent settlement of the Israeli-Palestinian conflict.**<sup>10</sup>

In the immediate term, it entails the question: **who will govern the Gaza Strip.** As mentioned, the support for the rebuilding of Gaza is preconditioned on the prospect of a **revitalized PA returning to rule Gaza.** It also entails an Israeli-Palestinian commitment to a political process which will lead to the eventual establishment of a Palestinian state in accordance with the **Two States Solution** framework. By setting these preconditions, the payers add another source of leverage over Israel and the PA and enhance their role as political players in the attempt to solve this conflict.

As long as those preconditions are not met, the only assistance to the Palestinians in Gaza would be humanitarian aid and early recovery work, such as removal of rubble, unexploded ordnance, etc. (see the section on the higher cost of not rebuilding below).

The horrific terror attack of 7 October 2023, and the war in Gaza and its devastating human and physical-destruction toll, should be turned into an opportunity to resolve the Israeli-Palestinian-Arab conflict and bring stability, security, peace and prosperity to the region. This proposed vision for a regional-international partnership in rebuilding of Gaza and economic revitalizing of Palestine fits the Biden Doctrine<sup>11</sup> and the EU's Peace Day Effort, both of which include the pragmatic Arab states as an integral part of the vision.<sup>12</sup>

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<sup>10</sup> On 11 December 2023, PM Netanyahu said in the Knesset Foreign Affairs and Defence Committee that Saudi Arabia and the UAE would finance the rebuilding of the Gaza Strip after the war. Saudi Arabia then clarified it will do so only if the PA will rule the Gaza Strip. Jacob Magid (11 December 2023), "[Netanyahu said to tell MKs that Saudis, UAE will foot bill of Gaza rebuilding](#)" Times of Israel. On 7 February 2024, the Foreign Affairs Ministry of Saudi Arabia announced, "there will be no diplomatic relations with Israel unless an independent Palestinian state is recognized on the 1967 borders with East Jerusalem its capital", Israeli aggression on the Gaza Strip stops and all Israeli occupation forces withdraw from it. See [here](#).

<sup>11</sup> Thomas Friedman, "[A Biden Doctrine for the Middle East Is Forming](#). And It's Big," 31 January 2024, New York Times.

<sup>12</sup> See "MEPP: The European Union, Saudi Arabia, the Arab League, in cooperation with Egypt and Jordan, launch the [Peace Day Effort for Middle East Peace](#), and invite the world to join" 18 September 2023. Following October 7 and the Israel-Hamas war, the EU's Peace Day Effort has been updated but not elaborated. Borrell proposed in the EU's Foreign Affairs Council to hold an international preparatory peace conference. See Maria Psara and Jorge Liboreiro, "[Revealed: Josep Borrell's 10-Point Peace Roadmap for the Israeli-Palestinian Conflict](#)," Euronews, 19 January 2024. See also Statement EUSR Sven Koopmans in the UN Security Council, "[Situation in the Middle East](#), including the Palestinian question," 18 April 2024. The Foreign and Security Policy Team of the Mitvim Institute and the Berl Katznelson Center suggested a detailed roadmap that offered

In the midterm, between Israeli withdrawal and the return of the PA to fully govern the Gaza Strip, **an international body needs to be established by the international community to govern Gaza**, with the participation of the PA and agreement by Israel. This governing body will be responsible for implementing the rebuilding plan. The leading players will be responsible for putting on the ground a strong and effective international-regional force, that will maintain law and order in Gaza in accordance with a mandate that will be agreed upon with Israel and the PA.<sup>13</sup> This body will manage the aid budgets provided by the “paying-players”, support the revitalization of the PA's governance capabilities, gradually delegating to it more authority, according to pre-defined milestones. It will work with Israel and serve as a strong anchor of stability in the Israeli-Palestinian relationships. It will also handle the necessary interfaces with Egypt and Jordan.

The UN, EU, and the US have already nominated humanitarian coordinators and special envoys for Gaza and/or for its rebuilding: Sigrid Kaag, UN Senior Humanitarian and Reconstruction Coordinator for Gaza, David Satterfield, the US special envoy for Middle East humanitarian issues and Henrike Trautmann, Principal Adviser for Reconstruction in Gaza, under DG NEAR in the European Commission. The Arab pragmatic countries should follow suit, and nominate their coordinators.

Under such regional political circumstances, **the EU should consider initiating a special framework** dedicated not only to of the Gaza Strip and supporting the Palestinian ELP, but also to the regional rebuilding. **The framework should be functional** in the sense that it will be **built around the extended IMEC project**, which will include extensions to the West Bank and Gaza.<sup>14</sup> Countries included in the framework would be the ones taking part in IMEC, with the EU one of its destinations

Such functional project can enhance interconnectivity and deepen the EU's relations with the pragmatic Gulf countries. This framework should work under one of the current principles of the European Neighbourhood Policy: joint ownership. It would build infrastructure in the least connected region in the world, which lacks adequate transport and logistics infrastructure.<sup>15</sup> This project will gain the EU economic and political benefits, as well as rebuild a much better public image in these countries, enhancing employment, growth, and stability.<sup>16</sup>

## **D. How to rebuild? The envisioned rebuilding process**

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substance and sequence. See Omer Zanani (2024), [“The Israeli Initiative: A Roadmap for Long-Term Security”](#).

<sup>13</sup> See Barak Ravid, [“Israel proposes regional security force in Gaza”](#) Axios, 29 March 2024. Such peacekeeping force is conditioned on Israel's willingness to recognise a Palestinian State and its control of the Gaza Strip.

<sup>14</sup> Such a framework will be in addition to the EU's Southern Neighbourhood Policy and its routine dialogue with the Gulf Cooperation Council (GCC).

<sup>15</sup> See the OECD (2021), “Regional Integration in the Union for the Mediterranean: Progress Report,” p. 10.

<sup>16</sup> One point of reference or model to such functional project is the EU's cross-border cooperation management along rivers (Euroregions), creating regionalisation.

As emphasized, the two processes of economic rebuilding and political stabilization must advance in tandem, as follows:

- Ending the war in Gaza with **the collapse of the Hamas regime and its replacement with a strong governmental body** that combines a reformed and revitalized PA, and deep international and regional involvement.
- A **comprehensive two-stage economic rebuilding plan for Gaza**, consisting of:
  - **Immediate response and initial rebuilding**: starting with humanitarian support, but also elements relating to revival of Gazan industry and agriculture, strengthening the PA's fiscal position, advancing Palestinian exports to the GCC countries, and more. Concurrently, working on the detailed design of the ELP.<sup>17</sup>
  - **Implementation of the ELP** that will place the Gaza Strip and Palestine on a path of rapid and stable long-term sustainable economic growth.
  - The Palestinian ELP will be designed in a way that will integrate it in broader regional economic cooperation initiatives.

The shift from the immediate response to the longer-term ELP will be gradual, as outlined in table no. 1 below. The rebuilding and ELP will advance in tandem with a political stabilization process, as elaborated above.

Table no. 1: Immediate response and the longer-term ELP

<i>Year</i>	<i>Gaza Strip</i>	<i>WB/PA</i>
1	Immediate response	Fiscal strengthening
2	↓	↓
3	ELP starts	ELP starts
4	End	End
.	↓	↓
.		
.		
10	End	End

**The goals of the ELP will be achieved through the following components:**

- **The initial rebuilding** activities will work as a powerful engine of economic growth and job-generation, serving as the first stage of the economic revitalization process.
- **A set of game-changing projects in the Gaza Strip and West Bank** (see section F). This component is the cornerstone of the longer-term ELP. It will transform the Gazan

<sup>17</sup> Large part of the relevant measures and projects of the ELP have been suggested in numerous detailed works conducted over the last two decades. These measures and projects are updated and repackaged now into plans by the PA, donor countries, international organizations, and various NGOs, as well as independent groups of experts. Many of these works have not been published. Some of the published works are presented in a f.n. 28 under the Key "game-changing" projects section below.

and Palestinian economy, enabling strong long-term economic growth. Cumulatively, these new infrastructural projects will greatly reduce the present extreme Palestinian economic dependence on Israel and create a strong economic infrastructure for a Palestinian state. It will also generate tens of thousands of jobs into Gaza and the West Bank. These projects will be designed to create economic integration of the Gaza Strip and the West Bank into the regional economic system.

- **Economic integration between Gaza and the West Bank**, which offers significant advantages of economic synergy between the two regions. This, as well as the following components, require abolition of Israeli access and movement constraints that cripple Gazan and West Bank trade and economic activity in general.<sup>18</sup> **Continuation of the deep connection with the Israeli economy, but along different lines**, such as: a gradual transition from Palestinian labor in Israel to cooperation based on work within Gaza and the West Bank, gradual transition to cooperation in advanced industries, etc. The deep connection with the **relatively large and advanced** Israeli economy would have great advantages for the Palestinian economy, compared to other economies in the region.
- **Development of strong economic ties with the Arabian Gulf countries (the GCC bloc) as an additional economic anchor** (see section G). The GCC countries boast significant strengths in areas where Israel is weaker. These include proven capabilities in executing and managing very large projects (sea and land transportation infrastructure, renewable energy and other large "green" projects, large industrial zones, etc.).<sup>19</sup> In combination, the strengths of the GCC and Israel would make a major contribution to Gaza's ELP and to regional economic cooperation in general.
- **Integration of Gaza and the West Bank into the economic cooperation taking place in the region, including large regional projects (transportation, energy, water, etc.).**
- **The above developments will also be reflected in an investment-leap:** in Palestinian infrastructure (mainly by international and regional aid bodies), and in industry, tourism, agriculture, and other branches of the economy (by private companies - Palestinian, Arab, and international).

## **E. Cost and time of rebuilding Gaza and re-vitalization of the Palestinian economy**

As of early May 2024, the war in Gaza is already the deadliest and most devastating since 1948. More than 370,000 housing units have been destroyed or partially damaged, which is over 60% of all housing units in the Gaza Strip. That, in addition to destruction or damage

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<sup>18</sup> This complex web of restrictions includes thousands of Israeli unilateral measures that have accumulated over decades – relating to import of “dual-use” items and numerous other restrictions on exports and imports, movement of businesspersons and workers, and other regulatory restrictions. Licenses which are required for almost any kind of economic activity, and more. This web of restrictions must be replaced by a new, mutually agreed regulatory system. Agreement on such a new regulatory system will be a key part of the ELP.

<sup>19</sup> See “[Recommendations for Essential Infrastructure and Health in the Gaza Strip](#),” especially part C, Mitvim Institute, March 2024.

to large part of Gazan infrastructure (water and sanitation facilities, roads, schools, hospitals, etc.), additional public facilities, industrial, agricultural, and other business assets.<sup>20</sup> This scale of physical destruction is manifold higher than in previous cases of large-scale military operations in Gaza, and will necessitate much bigger investments of money, time and effort in rebuilding. The number of destroyed or damaged housing units is thirteen times that of the 2008 war and six times that of the 2014 war. In which 30,000 and 60,000 housing units were destroyed or partially damaged, respectively.<sup>21</sup>

The scale of human casualties and injuries of the 2023-2024 Gaza War is even more staggering. As of May 1, the number of reported fatalities was close to 35,000, and 7,000 more were reported missing. Close to 80,000 reported injured, while the WHO estimated that about 1.1 million (half the population) were suffering from acute respiratory infections or acute watery diarrhea.<sup>22</sup> Namely, if the war was to end on May 1 2024, its death-toll would have been as high as 2 percent of the Gaza population, in addition to more than 5 percent in need of long-term medical care (injured or suffering from other long-term medical conditions). The number of displaced persons was estimated at 1.7 million, while 1.1 million people were reported as facing catastrophic levels of food insecurity (IPC Phase 5).<sup>23</sup>

Multiple estimates have been published as to the time required for the reconstruction of Gaza. These estimates vary according to the definition of reconstruction and their specific assumptions. An UNDP report, for example, provided estimates of between 16 to 80 years for rebuilding destroyed homes in Gaza, as per different assumptions regarding the pace of entry of building material.<sup>24</sup> The UN Mine Action Service (UNMAS) published an estimate that it could take 14 years under certain conditions to clear debris, including rubble from destroyed buildings.<sup>25</sup> Other institutions published estimations of 10 years.

Considering the unprecedented magnitude of required reconstruction and these impossible estimates of reconstruction time, our proposed Gaza Rebuilding and Palestine ELP suggests another paradigm. The proposed new International-regional-Palestinian governing body that will be established to govern Gaza, will put on the ground a strong and effective mechanism that will fast-track the reconstruction work. This mechanism will harness the operational capacities and experience of the Gulf countries in execution of such large-scale projects, in close coordination with Israel.

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<sup>20</sup> OCHA report, [Hostilities in the Gaza Strip and Israel - reported impact](#), May 1, 2024; UNDP and ESCWA, [Expected Socio-Economic Impacts on the State of Palestine](#), April 2024.

<sup>21</sup> PECDAR, "The Gaza Strip: Damages, Rebuilding and Development" 2009, p. 3; State of Palestine, "The National Early Recovery and Rebuilding Plan for Gaza", October 2014, p. 8.

<sup>22</sup> See OCHA and UNDP and ESCWA reports, f.n. 20.

<sup>23</sup> Ibid. IPC (integrated Food Security Phase Classification) Phase 5 means that at least 20% of the population of a specific area face absolute inaccessibility of food, which may potentially cause death in the short term. See [IPC Famine factsheet](#), December 2020.

<sup>24</sup> "[Gaza Needs Minimum 16 Years to Rebuild Lost Homes, UN Says](#)," USnews, May 2, 2024.

<sup>25</sup> Assuming work with 100 trucks. "[UN: Debris in War-Ravaged Gaza Could Take 14 Years to Clear](#)", MSN.com.



Estimates of the costs of Gaza reconstruction vary too as per the definition of “reconstruction” and the specific assumptions of each estimate. According to a joint World Bank – UN report, just rebuilding houses and infrastructures that were physically destroyed until the end of January 2024 was estimated at \$ 18.5 billion.<sup>26</sup> The overall cost of required immediate support and rebuilding would be much higher. Our preliminary estimates put overall costs of the Gaza Rebuilding and Palestine ELP at the **magnitude of \$60-\$75 billion, over a decade**, as follows:

- **The costs of the immediate response and initial rebuilding phase** are estimated at around \$25 billion over 3-4 years, of which over \$10 billion are for immediate response: provision of basic necessities (food, water, fuel, etc.), temporary shelter, medical care, financial assistance to families that lost their livelihoods; rubble removal and clearance of Unexploded Ordnance (UXO) etc.<sup>27</sup> Initial rebuilding is estimated at above \$15 billion and includes rehabilitation of partially damaged homes, initial building of new housing neighbourhoods, and repair of infrastructure systems that can be repaired (transportation, telecom, electricity, water, wastewater, hospitals, schools), as well as initial repair and rehabilitation of business assets (agricultural, industrial and other), short-term support to businesses, etc.<sup>28</sup>
- **The longer-term economic leap phase** would start concurrently. Its time-frame is expected to be around 10 years. Our preliminary estimates put these additional costs at between \$35-50 billion, mostly for the projects suggested below.

## F. Key "game-changing" projects in the Gaza Strip

The set of projects required for transforming the Gazan (and Palestinian) economy and putting it on a track of long-term sustainable growth, have been mapped in multiple works.<sup>29</sup> Most of these projects have been examined in detailed studies and found to be economically and technically feasible. The following section will outline them.

- **Transportation:**
  - **Deep-water sea port on an "infrastructure island"** (see below).<sup>30</sup>

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<sup>26</sup> [Joint World Bank, UN Report Assesses Damage to Gaza's Infrastructure](#), April 4, 2024.

<sup>27</sup> The UN estimated the cost of the immediate minimum necessary humanitarian aid at \$1.2 billion for October – December 2023, <https://www.unocha.org/publications/report/occupied-palestinian-territory/flash-appeal-occupied-palestinian-territory-october-december-2023-first-revision-november-2023> (First Revision November 2023), OCHA.

<sup>28</sup> In comparison, the early recovery and reconstruction plan following the 2014 Gaza War was budgeted at \$4 billion. State of Palestine, [The National Early Recovery and Reconstruction Plan for Gaza](#), October 2014, p. 10-11.

<sup>29</sup> See, inter alia, Portland Trust, *Global Palestine, Connected Gaza: A Spatial Vision for the Gaza Governorates* (2016); Karim Nashashibi and Yitzhak Gal, *Gaza Electricity: Reform and Restoration* (2019); Karim Nashashibi and Yitzhak Gal, *Gaza: The Water-Energy-Governance Nexus* (2020); Izahk Schnell and others, *Cooperation between Two Economies: The Cases of Transportation and Electricity*, in Arie Arnon and Saeb Bamyia (editors) - AIX Group, *Economic Dimensions of a Two-State Agreement between Israel and Palestine* (2007, p. 141-181), Arie Arnon and Saeb Bamyia (editors) - AIX Group, *The Political Economy of A New Period, Cooperation in Transportation, Energy and Environment* (2012, p. 255-443).

<sup>30</sup> Yitzhak Gal, *An Artificial Island on the Shores of Gaza – A Pre-Feasibility Study* (2018, unpublished work); Portland Trust, *Global Palestine, Connected Gaza: A Spatial Vision for the Gaza Governorates* (2016), p. 122, 162, 198.

- **Railways:** internal lines in Gaza and the West Bank, and lines connecting Gaza with the West Bank and Israel. Connecting the Palestinian railway system, via Israel and Jordan, to the regional **IMEC project**.
- **Land ports and crossings:** development of the **Erez crossing** into a large land port, which will serve as a major hub of cargo and transportation as well as passenger traffic.<sup>31</sup> These transportation projects will dramatically reduce transportation costs for Palestinian exporters and importers, lifting one of the most severe barriers to the development of Palestinian trade, and the Palestinian economy in general.
- **Other infrastructure projects:**
  - **Energy - Gas and Renewable:** development of the Gaza Marine gas field and connecting it to the Israeli or Egyptian gas pipeline infrastructure. A large gas-driven power plant on the infrastructure island; large solar fields to be built on the buffer zone that Israel is expected to demand along its borders with the Gaza Strip, as well as extensive production of solar-powered electricity rooftops of new homes and facilities built in Gaza.
  - **Water:** a cluster of large desalination plants, located on the infrastructure island, and a network of waste-water treatment plants, based on Israeli advanced know-how and successful experience.
  - **An “artificial infrastructure island”**, off the coast on the northern border of the Gaza Strip with Israel, for facilities and activities that require large land areas or distance from population centers: seaport, large-scale seawater desalination plants and a gas-driven power plant, waste treatment facilities, as well as polluting industries such as a refinery, a cement plant, chemical industries, etc. The location of these facilities on an island offers advantages in terms of safety, security, monitoring of entry and exit, etc.
  - **Industrial parks:** designated as zones with special economic status. These parks will serve as focal points of economic development and employment for their surrounding areas, and ideally will be developed and managed by world-class Emirati companies that expertise in this field. The proposal is to establish the most important industrial park in the northern area of the Gaza Strip. According to a detailed study, “the North-Gaza Special-Status Economic Zone” was estimated to generate over 150,000 new jobs.<sup>32</sup>

## **G. Integration of Gaza and the West Bank into wider regional economic cooperation projects**

The projects detailed above will be planned in a way that would facilitate their integration into the broader framework of regional cooperation initiatives already under way, such as:

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<sup>31</sup> Portland Trust, *ibid*, p. 122, 162.

<sup>32</sup> Yitzhak Gal and Bader Rock, *North Gaza Industrial Zone: A Private Sector-Led Growth and Employment Promoting Solution* (2016).

- **IMEC:** a rail connection running from the Mediterranean Sea, through Jordan to the major ports of Saudi Arabia and the UAE on the Arabian Gulf (about 90% of this railway line is already built). Adding the Palestinian part would be only about 200 km of rails, which is a small part in comparison to the 10,000km of railways already built (In Saudi Arabia, the UAE and Israel, including secondary lines).
- **Connecting Gaza and the West Bank to regional networks of:** (a) **large solar power plants** built in desert areas for supply of low-cost electricity across the region; and (b) clusters of large-scale **seawater desalination plants** and **wastewater treatment plants**, both networks would be developed as an extension of successful UAE and Saudi models.
- **Natural gas:** Palestinian integration into the Israeli – Egyptian - Jordanian cooperation already developing in this field.
- **Development of the northern Red Sea region,** around the Saudi flagship project of NEOM. This mega-project creates unprecedented opportunities for all surrounding regions. Gaza and Palestinian ELP will connect to this powerful engine of regional development as well.

**Additional Economic Incentives:** Reactivation of initiatives offering economic benefits to Palestine and Israel which are linked to the political end-goal of the Two States Solution. That can include new versions of programs such as the EU's **Special Privilege Partnership** (SPP) of December 2013, or the '**Peace Day Effort** (PDE) for Middle East Peace Initiative' of September 2023. This last initiative promising unprecedented political, security and economic peace supporting package aiming at maximizing peace dividends for Palestinians and Israelis once they reach a peace agreement.<sup>33</sup>

## H. The macro-economic framework

A series of in-depth economic studies and analyses conducted over the past two decades have predicted strong growth of the Palestinian economy, particularly Gaza's economy, once conditions are created for political stability and an ecosystem conducive to economic development.<sup>34</sup> That requires a fundamental change in the economic arrangements with Israel. Eliminating the complex set of constraints, which has developed over the last three decades, since the signing of the Paris protocol, through which Israel controls every aspect of Palestinian economic life – trade, infrastructures, monetary and fiscal arrangements, etc. This system needs to be replaced by a new set of economic agreements that will be negotiated with Israel.

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<sup>33</sup> See f.n. 12.

<sup>34</sup> See, inter alia, Rand Corporation, *The Costs of the Israeli-Palestinian Conflict* (2015); NIR and PIBF, *Future Economic Relations Between the Palestinian and Israeli Economies* (2007); Paltrade and the Peres center for Peace, *The Untapped Potential: Palestinian -Israeli Economic Relations* (2006); Yitzhak Gal, *The Economic Potential of Israeli-Palestinian Relations: The Case of Agriculture* (Hebrew, 2020); Yitzhak Gal, *Palestinian-Israeli Cross-Border Economic Relations* (unpublished work, 2016).

Based on these studies, we expect more than a twofold increase in Palestinian GDP per capita over a ten-year period (compared to 2022) from the start of the proposed Gaza Rebuilding and Palestine ELP, and more than a fourfold jump of Gaza's pre-2023 war GDP per capita. This would bring incomes and standard of living in Gaza closer to those of the West Bank, as was the case on the eve of the 2006 Hamas takeover of the Gaza Strip.

The ELP presented in this paper would also bring the PA to fiscal sustainability. If managed properly, after a period of three-four years into the proposed rebuilding and ELP, the PA would not need any more external budgetary aid to cover its current expenses (including expenses on Gaza). Furthermore, larger part of the financing of infrastructure projects could shift to the business sector, under BOT contracts and other financing arrangements, as in most other countries in the region.

## I. The much higher cost of not-rebuilding

As mentioned above, the overall direct cost of the proposed rebuilding and the ELP, for the “paying countries”, is estimated at a magnitude of \$60-\$75 billion, over a period of 10 years. Against this huge cost, the international community should weigh the already evident costs of the 2023-2024 Gaza war and its aftermath, for the international economy and key individual countries, as well as much higher and wider risks of not stabilizing Gaza and Israeli-Palestinian relations.

**Global implications and risks of the Gaza war** include, inter alia:

- **Trade disruption** and steep increase in shipping costs. Shipping traffic through the Suez Canal had plunged by 66%, by April 2024, due to attacks on vessels.<sup>35</sup> Container shipping spot rates from Shanghai to Europe more than tripled.
- **A surge of energy and commodity prices** (in combination with the on-going Russia-Ukraine war). According to the World Bank's analysis, continuation and further escalation of the war raises the risk of disrupting global oil supply as well. Under “medium to large disruption” scenarios, the World Bank forecasts, a **possible surge in oil prices** as high as \$110 to \$150 a barrel. Higher oil prices, if sustained, inevitably mean **higher food prices** and intensified food insecurity across the world.<sup>36</sup> That would be reflected in lost GDP at a magnitude of USD hundreds of billions per year, globally.<sup>37</sup>

**The spillover effects of the Gaza War on Egypt, Jordan and Lebanon are already significant**, as these countries are especially vulnerable to risks associated with expansion of the Gaza War:<sup>38</sup>

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<sup>35</sup> UK's Office for National Statistics, [Attacks on Red Sea shipping forces 66% decline in Suez Canal traffic - ONS | Business News | Sky News](#) (April 24, 2024)

<sup>36</sup> UNCTAD 26 January 2024; World Bank, 30 October 2023.

<sup>37</sup> [The Council of Foreign Relations, Conflicts to Watch in 2024, 4 January 2024.](#)

<sup>38</sup> UNDP and ESCWA, “Expected socioeconomic impacts of the Gaza war on neighbouring countries in the Arab region”, 18 December 2023, p. 2-4.

According to the UNDP estimates, continuation of the war for six months cost Egypt, Jordan, and Lebanon a total of \$18 billion in terms of GDP loss.<sup>39</sup>

**Egypt** has already seen a sharp fall in Suez Canal revenues and in tourism – two major sectors of the economy and anchors of its exports.<sup>40</sup> Other major risks associated with the continuation of the Gaza war include disruption of critical gas supply, further pressure on the persistently high inflation rate, rising basic-food prices, and the already depreciating currency. That, in turn, is further downgrading Egypt's debt rating and investor confidence, and further increase capital outflow.<sup>41</sup>

**Jordan** has already been hit by a steep fall in tourism, a pillar of its exports. Civilian unrest and sizeable demonstrations risk the economic relations with Israel, including critical supply of gas and water from Israel.<sup>42</sup>

If present disruptions continue, the overall loss of export income, plus increase in imports and other external expenses, is estimated at the magnitude of \$ 25 billion a year for Egypt and Jordan alone. These effects on Egypt and Jordan already require huge support from the Gulf countries and the international community. Over the last few months, investment, and financial support packages at a total magnitude of about \$ 50 billion, were approved for Egypt by the UAE, the EU and the IMF.<sup>43</sup>

## J. Conclusion

Seven months into the war, the discussion on the rebuilding of Gaza should commence in order to give hope to the Gazans and to show the leadership and commitment of the US, the EU and the leading pragmatic Arab countries to the Palestinians, and to the stability and security of the region.

This paper sets a vision of economic rebuilding plan, which would create a functioning and sustainable Gazan and Palestinian economy. The payment for the rebuilding of Gaza is inextricably linked to a political pathway of de-radicalisation and clear milestones that lead towards permanent settlement of the Israeli-Palestinian conflict in the shape of the Two States Solution. This economic vision is therefore set in an international-regional political and security agenda of stabilizing the Israeli-Palestinian and Israeli-Arab relations, ending the conflict, bringing normalisation and thus strengthening regional stability and prosperity of the pragmatic countries.

The EU, US, Saudi Arabia, and the UAE have a major role to play in realizing the proposed ELP, which aims to achieve sustainability and social resilience under game-changing regional cooperation initiatives that these payers-players have already been working on, such as normalization with Israel, the IMEC initiative, the Peace Day Effort, and regional economic processes promoted by

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<sup>39</sup> UNDP and ESCWA, *ibid*, p. 4-5.

<sup>40</sup> [Red Sea Attacks Disrupt Global Trade \(imf.org\)](https://www.imf.org/en/News/Articles/2024/03/15/240315-red-sea-attacks-disrupt-global-trade);

<sup>41</sup> On 17 March 2024 the EU signed a 7.4 billion euro "Strategic Partnership" of loans, grants and other funding to try and tackle this economic hardship. See Reuters, "[EU pledges billions of euros for Egypt as it seeks to curb migration](https://www.reuters.com/world/europe/eu-pledges-billions-euros-egypt-seeks-curb-migration-2024-03-17/)".

<sup>42</sup> "[We saw an immediate drop](https://www.msn.com/en-gb/news/world/middle-east/we-saw-an-immediate-drop-jordan-tourism-industry-suffering-amid-israel-hamas-war)": Jordan's tourism industry is suffering amid the Israel-Hamas war (msn.com).

<sup>43</sup> IMF, [Country Report, Egypt](https://www.imf.org/en/Country-Reports/Egypt), 2024, p. 9; Reuters, "[EU pledges billions of euros for Egypt as it seeks to curb migration](https://www.reuters.com/world/europe/eu-pledges-billions-euros-egypt-seeks-curb-migration-2024-03-17/)". The Washington Institute, "[The IMF and UAE swoop in to ease Egypt's economic crisis](https://www.washingtoninstitute.org/policy-analysis/the-imf-and-uae-swoop-in-to-ease-egypt%E2%80%99s-economic-crisis)".

Saudi Arabia and the UAE. If materialized, the peace dividends would be a return of the high investment needed to stabilize and flourish the region's economy.